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NEWS SUMMARY

GENERAL

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...lks took place against a ...nd of a further decline ...dent Sadat of Egypt's ... in the Arab world after ... night's commando ... at Larnaca airport in ...

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...g at a Kremlin banquet ...ent Assad of Syria, Mr. ...Brezhnev, the Soviet ... attacked Mr. Sadat's ...itiative as a damaging ... to Israel and called ...rn to the Geneva peace ...

...shington, Mr. Cyrus ...S. Secretary of State, ...Congress that the ...ation could not accept ...tial or total rejection ... to sell military aircraft ... Egypt and Saudi ...ia. Pages 4 and 5

... may seek ... march ban

...McNee, the Metropolitan ...Commissioner, may call ... on the National Front ...h is due to take place ...ssex, on Saturday. Sir ... a local community ... delegation that he ... his decision within ... Ilford. Mrs. Margaret ...Conservative Leader ...lthough she had only ... times on immigra... been vilified and ... malicious attacks. ...efends Tory leader, ...

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...Callaghan, answering ... in the Commons, ... Soviet Union of ...paganda out of U.S. ... of the neutron bomb ... as a cloak for the ... of even more ...nuclear weapons of ...Soviet ... the Soviet ...Warsaw Pact allies ...ument urging agree... producing nuclear ...arliament. Page 10. ...ecurity Conference, ...

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...ain roads re-opened ...operatures, rescuers ...rch the more isolated ... snow-stricken West ...r. Denis Howell, the ...to is co-ordinating ... help, said local ... may have to pay only ... of a penny rate ...ergency operations.

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... coal miners died in ...s explosion in Soviet ... Tass News Agency ...

... Lipton, 77, Labour ...beth Central, is in ... Hospital after col...me.

...d two children of a ...l registrar killed in ...ere awarded record ...37,500 for a widow's ... the loss of her ...he High Court.

... assured President ... does not intend to ...nalia in the dispute ...den. Page 5

BUSINESS

Dollar recovers; Equities slack

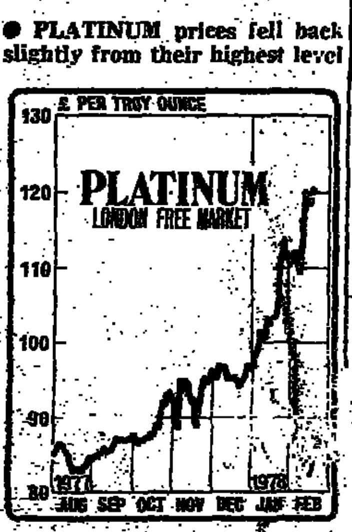
● DOLLAR gained ground in the foreign exchange market partly through intervention by central banks. The Yen climbed sharply until Bank of Japan acted to push the rate back. Page 5. STERLING lost 95 points to $1.9450 and its trade-weighted index fell to 65.7 (65.9). The dollar's depreciation was 5.18 per cent. (4.83 per cent. on Friday).

● EQUITIES attracted few buyers and the general lack of interest was seen in official markings of under 5,000 for the third successive trading day. The FT ordinary index closed 3.4 down at 454.6.

● GILTS turned easier in inter-office trade and falls of ¼ were recorded in places. The Government Securities index closed 0.24 up at 74.97.

● GOLD fell $1¼ to $181¾ on improvement of the dollar.

● PLATINUM prices fell back slightly from their highest level



for four years on the London free market this week moving to over $235 an ounce. Page 35

● WALL STREET closed 3.38 down at 749.31.

● FINANCE FOR Industry has launched its second sterling Eurobond issue of £12m. offering 10 per cent. for an 11 year final maturity. Page 31

● U.K. BACON industry has been criticised as poorly organised and inefficient by the Price Commission. The Commission, while upholding the bacon producers profits as not being excessive, warns that they must change their ways or lose more sales to Danish imports. Back and Page 35

U.K. steel users protest

● BRITISH steel-using industries have protested to the EEC over the effects of the Davignon Plan to protect Community steel industries, which asks stockholders to sell steel on the basis of BSC list prices plus a margin. Back Page.

● FERRANTI and Marconi-Elliott Avionic Systems are to share in a multi-million pound contract with other European companies to build the strike version of the Tornado multi-role combat aircraft under licence from Texas Instruments. Page 5

● FORD expects its new engines factory at Bridgend, South Wales, to be in production by May or June next year—over a year ahead of schedule. Page 6

● LONDON TRANSPORT is to place part of its latest double-deck bus order with Metro-Cammell Weyman and only part with Leyland's bus and truck division. Back Page

COMPANIES

● SECURICOR Group reports record pre-tax profits for the year to September 30 of £4.5m. (£3.4m.). Page 26

● CADBURY SCHWEPPES is planning expansion of its U.S. operations through the acquisition of the confectionery manufacturer Peter Paul. Back Page.

...ICE CHANGES YESTERDAY

...s unless otherwise ...dicated.)

...	90	+	3½
...ings ...	19¾	+	2¼
...	306	+	18
...	64	+	8
...ces A. ...	75	+	7
...L.) ...	21	+	4
...	40	+	4
...	81	+	5
...olly) ...	126	+	6
...Tst. ...	£32½	+	1
...lgoorlie	72	+	5
...	64¾	−	2¾

Barclays Bank	310	−	5
Berkeley Hambro	96	−	4
Fashion & Genl. Inv.	144	−	6
Fodens	59	−	4
Furness Withy	278	−	13
GEC	253	−	4
Greatermans A	105	−	5
Great Portland Ests.	306	−	6
Imp. Cont. Gas	340	−	8
Marchwell	234	−	6
Reed Intl.	106	−	3
Rockware	108	−	16
Spirax-Sarco	258	−	4
Stock Conversion	242	−	4
Wigfall (H.)	224	−	4
Oil Exploration	228	−	8
Messina	78	−	4
Middle Wits	150	−	10

GKN bid for 50% stake in Sachs blocked by court

BY TERRY DODSWORTH and GUY HAWTIN

GKN, Britain's largest engineering group, suffered a severe blow to its ambitions of expanding into the West German automotive components market yesterday when the German Supreme Court rejected its DM220m. (£56m.) bid for 50 per cent. of the shares of the Sachs Group, of which it already owns just under a quarter.

The decision follows a three-year battle with the Federal Cartel Office, which contended that Sach's dominant position in the German automative clutch market would be reinforced by GKN's involvement in the company.

GKN successfully appealed against this view to the Berlin Court of Appeal in 1976, and had its offer for Sachs cleared by the EEC under its competition regulations.

But these successes have now been superseded by the Supreme Court's judgment, against which the only appeal is to the Federal Minister of Economics.

Last night, GKN indicated that it would consider an appeal after studying the "full implications" of the judgment, which also awarded costs against the British company.

This may take several days, because the grounds for the decision were not issued yesterday, and were said to be based on considerations other than those which prompted the Cartel Offices appeal.

It was clear last night, however, that GKN executives were deeply disappointed by the ruling. The company has invested an enormous amount of time and energy on the bid, which had become one of the central parts of its strategy for maintaining and strengthening its position in the automotive market.

It already has a 25 per cent. stake in Sachs, bought for DM110m. (£28m.) in 1975. But its second offer of DM220m., which would have lifted its stake in Sachs to 75 per cent., was the key to winning control of the German company.

IN Nuremburg Mr. Barry Heath, GKN chairman, cancelled a Press conference called for to-day at which the company clearly expected to be able to unveil its plans for the future of the German concern. Mr. Heath refused last night to comment on the court's decision.

This would have given GKN an extremely strong position in the West German motor industry, as well as additional overseas interests through the Sachs subsidiaries in France, Canada and Brazil.

The idea was to move into a better position to sell to Germany's vehicle producers, who made about 4.2m. units last year against Britain's 1.7m., and to establish a stronger springboard into France, which made about 3.5m. vehicles in 1977.

The deal would also have given GKN access to Sachs' technology in automotive clutches and shock absorbers, as well as its interests in motor-cycles, bicycles and motors. In the West German clutch market Fichtel and Sachs, the Sachs trading subsidiary, was reckoned by the Cartel Office to have a 73 per cent. market share, and the company is also very strong in shock absorbers.

If the Supreme Court judgment proves final, it could have a dampening effect upon the present trend towards larger European conglomerations within the automotive components sector.

In the late 1960s, several companies bought into the German components sector, notably ITT, which acquired Alfred Teves, a brake manufacturer which had a virtual monopoly on disc brake systems.

In this period, GKN made its first successful foray into the market.

However, GKN's rebuff in the case of Sachs, a family company under the control of Ernst and Gunther Sachs, will cast doubt on the ability of the larger component companies to launch further sizeable takeover bids in Germany. Sachs, with a turnover of DM826m. (£210m.) and profits of DM43m. (£11m.) in 1976, is one of the few sizeable private automotive components companies in West Germany.

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A surprise defeat Page 28

BP to close Rotterdam refinery for two months

BY RAY DAFTER, ENERGY CORRESPONDENT

BRITISH PETROLEUM is to close its Rotterdam refinery, the biggest in the group, for at least two months because it feels it will be cheaper to buy refined products on the open market.

The move has been precipitated by the serious surplus of capacity that is undermining the profitability of the European oil industry.

With product prices depressed, BP believes that it can operate more economically by buying petrol, gas oil, chemical feedstocks and other oil products from other refiners in the Rotterdam area.

Although BP has made no formal announcement, it has told the 450 operating and maintenance staff at Rotterdam that the plant will be closed at least during April and May. The group plans to use this period to carry out an extended maintenance programme. It has told employees that jobs will not be affected by the closure.

The Rotterdam refinery has the capacity to handle 24m. tonnes of crude oil a year—about 482,000 barrels a day. This represents about one fifth of BP's total refining capacity.

As with other operators, BP has been running its refineries at between two-thirds to three quarters of capacity in the past year.

Vivid demonstration

It is understood that BP is not intending to increase product exports from its three British refineries in the Netherlands to make up the shortfall.

The Rotterdam closure plan is the most vivid demonstration of the European refinery industry's problems. It is estimated that in the past year about 82m. tonnes a year of capacity in the European Community has been either mothballed or closed for maintenance or alterations.

According to the EEC's Energy Commission, these closures have reduced surplus capacity to 60m. tonnes a year. The Commission, though, wants measures taken to reduce this surplus even further.

One idea now being discussed by member countries is a possible ban on financial aid for refinery construction or expansion.

The U.K. Government, oil trade unions, and oil companies are due to discuss the proposals at a tripartite meeting later this month.

The plans are likely to be opposed by the British, for the industry is already proposing to spend over £1bn. on improving refining facilities. Mr Anthony Wedgwood Benn, Energy Secretary, has said that according to the trade unions many of the 12,000 jobs in the British refinery industry could be threatened by the Brussels proposals.

New Beaverbrook paper plan

BY MAX WILKINSON

BEAVERBROOK NEWSPAPERS confirmed yesterday that it was considering plans to launch a third London evening newspaper as a down-market sister to the Evening Standard.

The move is planned as a direct challenge to Associated Newspapers' Evening News, which recently changed its image to compete directly with the Standard for more affluent readers and advertising.

Mr. Charles Wintour, chairman of the Evening Standard, confirmed that plans were being studied, but said they were at an early stage and no decision had been reached.

However, Beaverbrook has already hired Mr. Peter Grimsditch, deputy editor of Reveille, who is thought to be editor-designate if the new paper should get off the ground.

Confirmation of the plans coincided with a new outbreak of hostilities between the London evenings, with a fierce attack on the News advertising policy by Mr. Wintour. He said some of his rival's practices were "tantamount to bribery"

His comments follow an uneasy truce since the early summer, when the News publisher, Associated Newspapers, finally retreated from its atttempt to buy the Standard.

Associated had hoped to kill off the Standard before opening a new campaign to capture London readership with a "middlebrow" evening paper modelled on the Daily Mail.

As a second line of attack Associated converted the News to a tabloid and moved into the Standard's territory with an appeal to more prosperous readers and to the advertising which serves them.

Yesterday Mr Wintour, in the Standard, accused Associated of breaking the accepted conventions of commercial combat.

He alleged that Associated had broken new ground by offering advertisers direct inducements to

Continued on Back Page

Callaghan warns of threats to trade

By Rupert Cornwell, Lobby Staff

MR. JAMES CALLAGHAN yesterday warned that the West could face a wave of protectionism in the next few months, with the greatest danger coming from the U.S. and France.

Addressing a meeting on unemployment of the TUC-Labour Party liaison committee, Mr. Callaghan expressed a deep fear over the increasingly gloomy economic outlook for industrialised countries and the threat of a series of restrictive trade measures by leading nations.

He spoke of the risk of U.S. action and said that he had been in consultation with President Carter. The two leaders are expected to hold a special meeting when the Prime Minister visits Washington for the Nato summit in May.

France could trigger the process, according to Mr. Callaghan, who seemed to be referring to possible consequences of a Left-wing Government taking office after the French General Election next month.

He is understood to have insisted that Germany was unlikely to initiate any such measure. "But France could easily be at the head of the queue," he is said to have commented.

These remarks follow a major speech to British exporters last week, when Mr. Callaghan said the world economic situation was too serious to seek scapegoats, and that the planned Bonn summit in July would be pointless without prior agreement.

The Prime Minister did not hide his disillusion yesterday at the failure of previous similar meetings—the last of which was held in London in May—to produce results to match their rhetoric

Earlier, Mr. Denis Healey, the Chancellor, in more cheerful vein, had told Ministers, MPs, and trade unionists, that he had been "persuading, cajoling and hitting" other Common Market countries to do more to expand their economies.

He urged Japan to correct its trade surplus with other countries, implying the threat of import curbs against Japanese goods not only by Britain, but jointly by the EEC.

The Chancellor, who gave no clue of his Budget plans, said that despite the high level of unemployment, more people were in work than ever before and that job vacancies were at their best level for three years.

U.S. unions seek curbs, Page 5

...£ in New York

—	February 21	Previous
Spot	[illegible]	[illegible]
1 month	[illegible]	[illegible]
3 months	[illegible]	[illegible]
12 months	[illegible]	[illegible]

Further fall in total of unemployed

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

ADULT UNEMPLOYMENT has fallen again, for the fifth month running. Notified vacancies continue to rise and are now at the highest level since March, 1975.

But Whitehall officials are still reluctant to claim that a turning-point has been reached.

The Department of Employment announced yesterday that the number of adults out of work in the U.K. fell by 10,200 in the month to mid-January to 1.41m., seasonally adjusted. This is equivalent to 5.9 per cent. of the workforce.

Following revisions to last month's figures, a continuous declining trend since mid-September is now indicated, with a total drop of 37,400. But this has offset only some of the large rise last summer and the unemployment total is still 77,600 higher than 12 months ago.

INDUSTRY was suffering from a chronic shortage of engineers, Mr. Roger Kingdon, vice-chairman of the Process Plant Association, warned in London yesterday. Back Page. Meanwhile, in the Commons, Mrs. Thatcher and Mr. Callaghan clashed over the latest unemployment figures. Page 10.

The most encouraging indicator is the rise in notified vacancies These have gone up by 6,700 to 187,000, seasonally adjusted, in the last month, and have increased by 32,300 since mid-September.

These figures appear to support the guarded optimism of Mr. Denis Healey, the Chancellor, who said last Friday that unemployment might already have peaked.

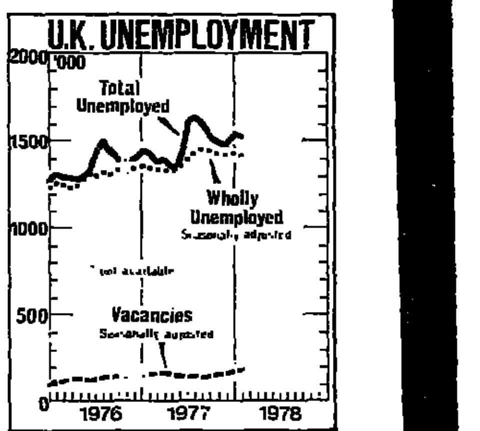
The cautious official response to yesterday's figures is based on the experience of the 1976-77 winter when there was a fall in unemployment, which was followed by a rise

The hope, now is that, if the rate of economic growth can be maintained above 3 per cent. this year, a steadily declining unemployment trend should be firmly established during 1978.

However, latest Treasury forecasts suggest that the economy will not expand as fast as this without significant stimulus in the Budget. This might adversely affect the external current account.

The conventional Treasury analysis says a sustained 3½ per cent annual growth rate would still leave unemployment at more than 1m. in 1982.

The latest economic indicators increase uncertainty about the relationship between output and employment.



The recent trend in unemployment and vacancies has been encouraging but the number of employees in work was falling in the autumn. The indicator of activity provided by flows on and off the register fell back in January against the trend of the previous few months.

The position has been complicated by the Government's job creation measures, now taking an estimated 240,000 off the register.

The number of jobless school leavers is still declining and 93 per cent. of those who left in the last academic year are in work, training or further education, almost exactly the same percentage as last year.

The unadjusted unemployment total in the U.K., including school leavers, fell by 39,870 to 1.5m. in the month to mid-February.

Rupert Cornwell, Lobby Staff adds: The Government does not intend to promote the shorter working week and earlier retirement, as a long-term means of tackling unemployment.

This was made clear yesterday by Mr. Albert Booth, the Employment Secretary at a meeting of the TUC/Labour Party liaison committee.

He acknowledged that the trend in both directions was likely to continue, but warned that this could revive inflation by raising industrial costs and damaging Britain's competitiveness.

The only long term solution lay in the Government's industrial strategy, coupled with a determined and co-ordinated international effort to promote faster expansion in the West, he said.

He favoured reducing "excessive overtime being worked in some industries as a way of opening up more jobs, but opposed earlier retirement on the grounds that it would cut unemployment only at the cost of reducing pensions resources.

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FEATURES

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IFO report favours more expansionary measures by Bonn

BY ADRIAN DICKS

BONN, Feb. 21.

THE WEST GERMAN Government ought to be looking for ways in which to take further expansionary measures, and need not be too concerned at the possible impact on the price level, according to the latest analysis of the current situation by the IFO Economic Research Institute of Munich.

None the less, the Institute agrees with Ministers' recent claims that there is very little that the authorities can now do, over and above the series of stimulatory measures taken last year.

Although the IFO report does not differ substantially in its conclusions from current West German official thinking, it does stress heavily that the further stimulatory measures being pressed upon Bonn by other countries are not so much undesirable as impracticable. This is in contrast to the West German Government's argument that it has done at least its fair share—if not more—towards underpinning the international economic situation.

On the topic of Bonn's international responsibilities, the IFO writes that Germany's own growth prospects can only be harmed if, as part of the effort to help other countries, it is forced to accept too high a rate of import growth.

Where the IFO analysis differs from current official thinking is in its acceptance of the desirability of taking fresh action to spur the modest growth expectations for this year. "The demand for further Governmental action cannot be dismissed merely by the argument that a satisfactory situation cannot be reached in one jump, but that the important consideration is that the tendency should be in the right direction," the report says.

"However, the possibilities for a stronger pump-priming action this year are shown by further examination to be extraordinarily limited . . . monetary policy has beyond doubt reached the borders of what is acceptable without endangering the goal of long-term stability. The room for manoeuvre in financial policy is also extremely narrow, not only because the objective of consolidating the public finances should not be lost sight of, but also because in the short term there is a lack of concrete opportunities of expanding official outlays significantly any further than planned."

New strikes in printing row

BY OUR OWN CORRESPONDENT

BONN, Feb. 21.

SCATTERED STOPPAGES were once again reported in the West German newspaper industry today, as the printers' union, IG-Druck, and the employers each sought to step up psychological pressure on the other.

So far, however, the IG-Druck leadership has not announced any concerted response to the publishers' refusal to take up its offer of house negotiations on this year's wage claim and on the vexed issue of new printing technology.

To-day's stoppages took the form of brief protest strikes in several newspapers, and of a refusal by some compositors to set the text of an advertisement placed by the employers' federations. The advertisement, which did appear in most newspapers this morning, appealed to IG-Druck leaders not to take action which might threaten jobs and lead the employers to declare a lock-out.

IG-Druck has answered this with a pamphlet calling on the publishers to "put an end to polemics"—and to return to the negotiating table.

Norway wins oil platform contract

By Kevin Done

THE CONTRACT to build the second concrete platform for the Statfjord Field, the biggest oil field yet discovered in the North Sea, has been awarded to Norwegian Contractors.

The platform, which is expected to cost some NK800m. (£77.3m.), is scheduled for tow-out to the Statfjord Field in the Norwegian sector of the North Sea in 1981.

The order, which has been delayed for many months because of doubts over the safety of the design first proposed by the Statfjord group, will come as a major boost to the offshore construction industry in Norway.

Originally the Norwegian Petroleum Directorate wanted two platforms to be built, one for accommodation and one for drilling and production. But late last year it agreed to allow the crew's quarters to be included on the single platform in view of design changes made to increase safety.

The Statfjord B platform will be a four-legged concrete platform of the Condeep design, with a production capacity of about 150,000 barrels a day (equivalent to 7 to 8m. tonnes a year). The concrete structure will be the biggest ever built in Norway.

Norwegian Contractors, which will build the platform at its yard in Stavanger, has already built seven platforms for the North Sea, including Statfjord A. It currently has a workforce of some 230 working on the C platform for the Brent Field in the U.K. sector. But when work reaches a peak on Statfjord B the workforce will build up to more than 800.

About 12 per cent. of the Statfjord Field's estimated recoverable reserves of more than 3.1bn. barrels are located in the U.K. sector of the North Sea, and last week Dr. Dickson Mabon, the Minister of State for Energy, visited Oslo to discuss possible orders for the British offshore industry. He was told by Mr. Bjartmar Gjerde, the Norwegian Energy Minister, that U.K. companies would have a clear opportunity to bid in fair competition with other contractors for module and other work on the B platform.

The Norwegians are still keeping an open mind on whether the third platform for the field will be made of concrete or steel. The field is expected to start initial production in the second half of 1979, and will bring a welcome, if belated, boost to Norway's flagging economy.

The Statfjord group, for which Mobil is the operator, comprises Statoil 44.4 per cent., Mobil 13.3 per cent., Conoco Norway 8.9 per cent., Esso 8.9 per cent., Shell 8.9 per cent. British National Oil Corporation 3.7 per cent., Conoco North Sea 3.7 per cent., Gulf 3.7 per cent., Saga 1.6 per cent., Amerada 0.9 per cent., Amoco 0.9 per cent. and Texas Eastern 0.9 per cent.

Kekkonen calls for new coalition soon

HELSINKI, Feb. 21.

PRESIDENT Urho Kekkonen of Finland to-day asked the outgoing Prime Minister Mr. Kalevi Sorsa to try to form a new five-party coalition of the Center and Left within a week.

The Social Democratic Premier met the President after all the five parties in his coalition, which has been working as a caretaker Cabinet since it resigned last week agreed that the five-party basis was still the best.

Mr. Sorsa said that Mr. Kekkonen had asked him to ensure that the new Cabinet could take office on March 1, when the President is to start his fifth term in office.

AP-DJ

Turkey expects to resume IMF talks within two weeks

BY METIN MUNIR

ANKARA, Feb. 21.

MR. BULENT ECEVIT'S new Government will complete its programme of economic austerity measures and renew dialogue with the International Monetary Fund (IMF) within at most a fortnight, a senior official told the Financial Times here to-day.

Both international banks and states which have large stakes in Turkey have been impatiently waiting for Ankara to sign an agreement with the IMF to come forward to extricate Turkey from the gravest economic crisis in its history. They consider a Turkey-IMF agreement a pre-requisite for advancing new loans to Ankara.

The dialogues between Turkey and the IMF, initiated last autumn, had been suspended due to the government change. On January 1, Mr. Ecevit replaced Mr. Suleyman Demirel's coalition after defeating it at a vote of confidence in the National Assembly.

The senior official said that the dialogue would be resumed after Turkey completed its austerity programme. "Within a fortnight at most negotiations with the IMF will start," he said. "All measures will have been taken by then." A letter of intent would be signed soon afterwards.

The new measures will include a devaluation of the Turkish lira, well-informed sources said. Economists argue that the rate should be between 20 and 30 per cent.

Among other measures interest rates will be raised to encourage savings and bank loans tigthened in order to fight inflation, the official said. These measures will supplement the number of others that were unveiled peacemeal since the inception of the IMF dialogue. Most important among these have been the limitation of budgetary spending and the import programme to levels recommended by the IMF.

If the talks with the IMF are successful, a consortium of major banks in the U.S., West Germany and Switzerland will syndicate a loan of $1bn. so that Ankara can manage short-term debts totalling just under $2bn. Turkey has defaulted on more than $400m. of these and has been unable to pay for a large portion of its 1977 imports, estimated at $1.5bn.

● Libyan Prime Minister Abdel Salam Jalloud is to start an unexpected two-day visit to Turkey to-morrow on his way home from his Moscow talks. Turkey and Libya agreed during a visit by the Libyan leader more than two years ago to undertake a number of major economic projects which did not come to fruition. Turkey, according to diplomatic sources, will attempt to revive these. But more urgently, Turkey will try to arrange easier terms of payment for its crude oil purchases from Libya, its second biggest supplier. Libya will try to rally Turkey's support for the rejection of Egypt's recent overtures to Israel.

● Talks will start at the technical level in Ankara to-morrow between Turkey and the U.S. on a broad range of topics.

Dutch plan for inflation

By Charles Batchelor

THE HAGUE, Feb. 21.

HOLLAND will introduce a simplified form of inflation relief this year in preparation for a complete system of inflation accounting. Providing Parliament approves the plan, it is likely to take full effect in 1983, according to a report released to-day.

The immediate impact of the introduction of inflation accounting will be to reduce company profits and the levels of tax relief house-buyers can claim on a mortgage. However, in the longer term, the benefits will outweigh the disadvantages and the serious distortions caused by inflation on the tax system will be eliminated, the architect of the plan, Professor H. J. Hofstra said.

Two immediate measures, reducing the Government's 1978 tax income by Fls.1.1bn., will be introduced to lessen the impact of inflation, Finance Minister Dr. Frans Andriessen said. Three per cent. of a company's profit and between 1 and 1½ per cent. of its equity capital will be exempt of tax. In the private sphere the first Fls.200 of income from interest on investments will be tax-free.

The 350-page "Hofstra Report," which was commissioned by Dr. Andriessen's predecessor Dr. Wim Duisenberg in 1975, recommends that measures which reduce the amount of tax to be paid can start this year while those which increase taxes may not begin before 1979. A total change-over period of about five years is foreseen. Inflation accounting is unlikely to reach the statute book before the second half of 1978 after consultations with employers, unions and other interested groups.

The basic aim of inflation accounting is to remove increases in profits and in a company's assets which are due solely to inflation. Since the turnover of a company's stocks is far quicker than that of machinery or property, the system has been constructed so as to only take account of "apparent" profits in the year in which they are made. Assets funded by borrowed capital will not be eligible for inflation correction.

Income from shares will be liable for tax as now but the value of a company's equity will be adjusted to take account of inflation. If the company is liquidated, any payment to shareholders would qualify for tax exemption in so far as it was caused by inflation.

Income from interest on investments would be made eligible for tax-exemption in relation to the level of inflation. At 2 per cent. inflation, 20 per cent. of interest income would be tax-exempt and at between 6 and 8 per cent. inflation, half of the income would be exempt of tax.

Higher investment in EEC forecast

BRUSSELS, Feb. 21.

LEADING industrialists in the Common Market expect EEC investment as a whole to expand by around 11.6 per cent. this year, against 10.3 per cent. in 1977, the EEC Commission said to-day.

The Commission said that investment growth in money terms should accelerate in Belgium, Ireland and Britain. It is likely to remain unchanged in West Germany and France and should slow down in the Netherlands and Luxembourg.

The basic industries, mechanical and electrical engineering and the manufacturing industries are those in which the investment climate is most likely to show an improvement, the Commission added.

At national level the sectors expected to benefit most are the basic industries in France, Britain and Luxembourg, the metal-producing industry in Italy and the Netherlands, mechanical and electrical engineering in Britain, Italy and Ireland, manufacturing industries in Britain, West Germany and Ireland and the extractive industries in Italy and Ireland.

On industrial production, the Commission said that the upward tendency should be maintained or may even gather momentum in the months ahead.

EEC industrial production grew by an estimated 2 per cent. annually in the fourth quarter of 1977 after slackening in the second and third quarters of last year, the report said. It added that the improvement was probably due to a slight upturn in private consumption and to the fact that the decline in demand for intermediate goods was arrested.

A review of the economic situation in the EEC carried out by Economics and Finance Ministers at a meeting in Brussels on Monday confirmed the wide belief that the current uptrend is not strong enough for the Community to attain a targeted 4-4.5 per cent. growth rate in 1978.

The Ministers instructed the Commission to draft proposals for pushing the growth in the EEC's overall gross national product (GNP) about one percentage point from currently expected 3.5 per cent. at real terms. These proposals are to be ready for the next Ministerial meeting on March 20.

Agencies

Commission approves trademark agreements

BY MARGARET VAN HATTEM

BRUSSELS, Feb. 21.

THE EUROPEAN Commission has aproved three agreements rstricting the use of trademarks which, it says, demonstrates that in some cases such agreements are consistent with EEC rules on free competition.

The first case concerns an agreement between Henkel Dusseldorf and Unilever NV, Rotterdam, to use red and green lettering respectively in their use of the Persil trademark for washing powder.

Henkel, which owns the trademark in West Germany, the Benelux countries, Italy and Denmark, and Unilever which owns it in the U.K. and France, had agreed in 1975 to co-operate in preventing sale of their own products in each other's territory. This was aimed specifically at preventing a flow of the cheaper British Persil into Germany, and of Belgian and Luxembourg Persil into France.

But the Commission found that this form of geographical market-sharing violated rules on competition and opened proceedings against the two companies.

The two have now agreed to a free flow throughout the Community of each other's products, on the grounds that the different colours will clarify for the consumer any differences between them. The commission has also dropped proceedings, saying that concerted marketing practices between different producers are permissible if they do not impede the free flow of goods.

The Commission also approved a series of agreements whereby Davide Campari-Milano SPA granted exclusive trademark licences for producers of bitter Campari in Benelux, Germany, France and Denmark.

Clauses in the agreements prohibit licencees from business in competing products and from pursuing active sales policies outside their own countries.

Andreotti in deficit talks

By Dominick J. Coyle

ROME, Feb. 21.

SIG. GIULIO ANDREOTTI, Italy's Prime Minister-designate, met here again to-day with experts of the main opposition parties, including the Communists, to try to agree on ways to hold the enlarged public sector deficit in the current year to a ceiling of L.24,000bn. (£15bn.).

This is the upper limit said to be acceptable to the International Monetary Fund (IMF), although it is more than half as much again as the ceiling for 1978 agreed with the Fund last April when Italy negotiated a further IMF drawing.

On the basis of unchanged plans, the deficit this year is set provisionally at some L.32,000bn, leaving Sig. Andreotti to try to secure all-party agreement on a combination of spending cuts and new taxation equivalent to some £5bn. Increases in both direct and indirect taxes are envisaged.

Political difficulties on the formation of a new government have been set aside temporarily, and by general agreement between the main parties, in order to determine initially whether there is a basis for co-operation on the details of an economic programme.

Apart from containing the public sector deficit this year, it is thought that such a programme would include guidelines on incomes policies so that Italian unit wage costs "would be maintained within the EEC average," according to Sig. Andreotti.

The Prime Minister-designate wants the main opposition parties, but particularly the Communist Party, to be associated directly with whatever austerity measures are to be taken by the new government. The primary objective of the Communist leadership remains securing the party's inclusion in the parliamentary majority supporting the new government.

Christian Democrat Deputies and Senators are likely to meet towards the week-end to consider their position and presumably, to hear the recommendations of their party's top leaders.

West draft rejected at Belgrade

BELGRADE, Feb. 21.

THE SOVIET UNION to-day rejected as completely unacceptable a tough Western draft of a final declaration for the European Security Conference, containing detailed proposals on human rights.

The 22-page Western proposal was supported by all members of Nato except France, which tabled its own version earlier this week.

The chief Soviet delegate, Mr. Yuli Vorontsov, speaking at a plenary session of the 35-nation gathering, declared that he was not even prepared to consider the document presented to-day.

Mr. Vorontsov said it represented an attempt to revise the 1975 Helsinki accords on East-West detente, which this conference is reviewing. It also amounted to an attempt at interference in the internal affairs of Soviet bloc countries. "If we were to accept this draft, it would put into question what has been achieved so far," he said.

The conference, due to end by mid-February and now running out of time, has remained stalled since its last stage opened on January 17.

Western and Eastern delegates as well as the group of nine neutral and non-aligned countries said the conference now appeared almost certain to end with a short concluding document, containing little more than an agreement to meet again in Madrid in two years.

The West has insisted throughout the marathon conference, which opened in June, that the 35 countries should wind up their talks with a document thoroughly assessing progress, or lack of it, since Helsinki and containing future measures to improve implementation of the Helsinki pledges.

Reuter

Spain's overseas borrowing need may top $3.2bn.

MADRID, Feb. 21.

N WILL need to raise en $3.2bn. and $3.3bn. d this year, about half for ablic sector, Mr. Jose Ramon ez de Rendueles, Secretary ate for Economic Planning

told Reuter in an interview will take Spains long-term al debt to between $14bn. 14.5bn., net of repayments, year-end, against $12.5bn. end of 1977.

ures to be published within ext few days will show

t 70,000 metalworkers on strike in the northern n of Asturias yesterday in rt of demands for a new act, writes Reuter from o. Unions said about 90 ent. of the region's metal- ers joined the strike.

s current account balance ments deficit narrowed to n $2.3bn. and $2.4bn. in from $4.3bn. in 1976, he The shortfall this year drop to around $1.5bn.

de Rendueles said that in st half of 1978 Spain plans se between $300m. and on the Eurobond, Swiss, nd Yen markets.

ajor reason for this spread establish Spain as a er on these markets in to give it greater choice ure financing.

Until now, Spain has floated only one bond, in Japan, and has used syndicated loans for most of its foreign fund-raising.

Mr. de Rendueles said Spain is likely to float its first bond this year, around May, in Japan. This will probably be for between $60m. and $70m., he added.

He said the country is in a good position to raise money abroad and the increased liquidity of the international bond markets in the last year has made them attractive.

"We think we will be active in the international markets in the next few years and we should establish the name of the kingdom of Spain," he said.

The Spanish state rail company RENFE is due to issue a bond in Japan within the next few weeks, Mr. de Rendueles noted.

In the second half of 1978 Spain will return to syndicated loans for part of its international finance, he added, although he could not say how much it would require.

Other foreign finance could be in the form of export credits, bilateral arrangements with foreign governments and from the International Monetary Fund. The IMF earlier this month approved a $175m. stand-by credit and a further $125m. to help boost Spain's export programme.

ing Olav visits Lisbon

IMMY BURNS

LISBON, Feb. 21.

OLAV of Norway accom- by Mr. Knut Frydenlund, reign Minister, arrived -day on a three-day offi- sit to consolidate the ties between his country rtugal.

ay was one of the first European countries to h firm commercial and links with Portugal g the military coup in 5, 1974, and King Olav first Western European State to visit since then. has channelled consider- onomic aid to Portugal EFTA, contributing 12 to a common fund set pport small and medium dustrial projects. It has ged $10m. as part of a $750m. medium-term loan expected to be contributed by a consortium of 14 industrialised countries, following the conclusion of negotiations with the International Monetary Fund (IMF) next month.

Norwegian aid to Portugal was particularly prominent following the arrival of nearly 750,000 refugees from the former Portuguese colonies in Africa. Norway sent medical assistance and hundreds of prefabricated houses.

At a time when European recognition and assistance is felt by the Portuguese government to be a condition for the consolidation of Portugal's fragile democracy, King Olav's visit is regarded here as more than mere protocol.

France, U.K. discuss industrial co-operation

By David White

PARIS, Feb. 21.

MEASURES TO increase industrial co-operation between France and Britain—one of the main subjects pressed during Anglo-French summit talks at Chequers before Christmas—were proposed here by Mr. Eric Varley, Industry Secretary, during talks with French Government and industry leaders.

Mr. Varley received a positive French reaction to the idea of an industrial conference, widening the scope of the work undertaken by the two countries' new Industrial Co-operation Committee, which held its first meeting in Paris yesterday.

Intensified collaboration in aircraft was discussed to-day in meetings with the heads of SNECMA, the French aircraft engine manufacturer, and Aerospatiale, the French manufacturing partner of Concorde.

Collaboration

In an address to the British Chamber of Commerce in Paris this evening, Mr. Varley emphasised that any future collaboration in the field "must have sound commercial prospects"—a concern that has been causing some heart-searching in the French Government in recent days, following technical and operating difficulties with Concorde.

The two industry Ministers were also understood to have discussed the proposed cross-Channel electricity cable and the dovetailing of the French and British computer industries.

The common problems of depressed industries in France and Britain—including steel, textiles, and shipbuilding—were also on Mr. Varley's agenda, as were the topics studied in detail yesterday by the Industrial Co-operation Committee, especially machine tools, pulp and paper, and offshore oil technology.

Mr. Varley urged a build-up of French capital investment in Britain, which at around £463m. was barely a third of Britain's £460m. investment in France. The British proposal for a co-operation conference envisages an experimental first meeting organised in the U.K., possibly becoming a regular fixture between industrialists of the two countries.

M. Barre at a news conference: avuncular indulgence and reproachful politeness.

RAYMOND BARRE

The masterly man in the middle

BY DAVID CURRY IN PARIS

THERE ARE those people who sit on a chair and those who sit in them. Raymond Barre, at 53 years of age the first non-Gaullist Prime Minister of France in the Fifth Republic, falls undisputably into the latter category. He positively fills his chair.

His shape certainly helps. "I am a square man in a round body," he cheerfully remarks while explaining his more serious beliefs in the sound principles of a firm currency, trade surplus and balanced budget.

On television he fills the screen. He is a polished performer. Relaxed, speaking deliberately, finger-wagging, infinitely reasonable, this former economics professor seems to be giving the whole nation a private tutorial. The questions of his interviewers, over-earnest and over-rapid, which they try to slip through the undulating cadences of the Barre exposition, he treats with an avuncular indulgence and reproachful politeness.

With a taste for the sort of patterned ties that President Valéry Giscard D'Estaing would not permit on the premises, and frequently attesting his faith in the fundamental good sense of the French citizen, Raymond Barre radiates solid reliability.

Solid reliability is his election motto. His posters, in mustard yellow, proclaim "Barre-confiance" (you can depend on Barre), and his symbol is a mighty tree superimposed on the map of France.

For M. Barre is fighting his own election campaign almost as a one-man party. He has refused, reportedly to the great displeasure of the Elysee to put himself at the head of the brittle and improvised alliance of the Centre radicals and republicans fighting the election as the Union for French Democracy, arguing that his constitutional role is above factional politics. Instead, he has insisted on supporting candidates who have invited his aid from whichever section of the majority coalition they belong.

The Prime Minister's emergence as a political force is not sudden. The turning point probably came last spring when M. Barre decisively bettered the Socialist leader, M. Francois Mitterrand, in a television debate in which the latter had been odds-on to win. Almost overnight, the political amateur gained weight.

Before that, since his appointment in August, 1976, M. Barre had been the nut between the anvil of a President losing esteem but exercising all the concentrated powers of that office, and the hammer of a Gaullist party on which he was dependent for his support but close to open revolt. M. Jacques Chirac, the man he replaced as Prime Minister, was sending the fiery cross throughout the countryside to warn against the imminence of a Leftwing victory, and he made clear that he thought that M. Barre was no more than the governmental caretaker while the party politicians fought the election.

M. Barre's escape from the impotence of being a Prime Minister without a party was due to two factors: first of all it was

THE FRENCH ELECTIONS

obvious that the only hope for an election victory lay in a visible improvement in France's economic performance, and the management of this recovery was decisively in M. Barre's hands. Second, M. Barre himself, while insisting at all times that he was a loyal servant of the President, kept discreetly clear of M. Giscard d'Estaing's schemes of political restructuring.

One might add a third element: he gained a personal reputation for straight talking and bluntness which, as he emphasised that economic recovery would take a good three-years' austerity, made him appear to be the one man in France who was not campaigning. And, of course, the break-up of the Union of the Left last September suddenly made it seem that all was still to play for.

However, it is wise not to exaggerate M. Barre's authority. He is essentially still one-dimensional, identified in the public mind with an economic programme. And he is still a man without a coherent party following. The Centre parties, true, look to President Giscard d'Estaing as their chairman and to M. Barre as the works manager, but the Centre lacks either a coherent philosophy and, still more, a coherent national organisation, and it would be a brave man who sacrificed his quasi-autonomy to put himself at the head of reserve troops.

What of his future? The opinion polls still make it possible that M. Barre will be one of the last Prime Ministers of the Fifth Republic, the Necker of the Ancient Regime. Even if the Government wins, it is by no means certain that M. Barre will be chosen by President Giscard d'Estaing as the man to relaunch his advanced liberal society, even if he does get a few more months to finish off the economic recovery programme.

On the other hand, it is not unusual to hear the hope expressed by those who despair of the indecisive manner of President Giscard d'Estaing, and fear the abrasive ambition of M. Chirac that M. Barre might one day be President of the Republic.

Whether he would want to be remains uncertain.

Danish payments deficit reduced

Denmark's current balance-of-payments deficit, according to the official figures published by the Bureau of Statistics, fell from Kr.11.5bn. (about £1.05bn.) in 1976 to Kr.9.87bn. (about £900m.) last year. Hilary Barnes writes from Copenhagen that this is well below the central bank's figure published last week based on registered payments to and from abroad, which showed a deficit of Kr.12.4bn.

The official figure, covering movement of goods across frontiers, is in line with the Government's forecast for the deficits. The final-quarter deficit was Kr.2.27bn., compared with Kr.2.5bn. in the third quarter and Kr.2.9bn. in the final quarter of 1976.

Venice newspaper bomb kills employee

A time bomb exploded early yesterday in Venice outside an office of the newspaper Il Gazzettino, killing a watchman, police said. Reuter reports that Sig. Franco Battagliarin, 49, was leaving the office when the bomb exploded by the front door. He caught the full blast of the bomb. An unidentified telephone caller claimed that the outlawed neo-Fascist group New Order was responsible.

Dissident arrested

A member of the dissident Ukrainian Helsinki Monitoring Group has been arrested and faces up to two years in a labour camp. Nobel Peace Prize winner Andrei Sakharov said in Moscow yesterday, Reuter reports that he said that Mr. Pyotr Vins, the son of an imprisoned religious leader, is the 18th Helsinki activist arrested or tried in about a year.

Space talks delayed

A meeting of the European Space Agency due to start in Paris yesterday to discus the agency's budget has been postponed for a week because of a West German Cabinet reshuffle, agency officials told Reuter. The meeting will now take place next Tuesday and Wednesday after the West German delegation has been briefed by its new Research and Technology Minister, Herr Volker

Ex-Nazi sentenced

A Lithuanian who took part in the wartime killings of 100,000 people at a Nazi extermination camp has been sentenced to death by firing squad by the Lithuanian Supreme Court, Reuter reports from Moscow. Witnesses said the accused, Vintsas Saussaitis, displayed "particular zeal" during mass shootings.

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AMERICAN NEWS

Coal companies ready to resume talks with union

BY JOHN WYLES — NEW YORK, Feb. 21.

SOME SMALL shred of hope of a negotiated end to the protracted strike by coal miners in the U.S. remained late to-day after the employers declared that they were ready for a prompt resumption of talks with the United Mine Workers' union.

With the Carter administration warning that only a few days remain before it must try to force a break in the deadlock, the Bituminous Coal Operator's Association (BCOA) affirmed its belief in free collective bargaining, but rejected suggestions that it should adopt as the basis for fresh talks an agreement reached at the end of last week between the union and a non-member of the association, the Pittsburg and Midway Mining Company.

This settlement has been approved by the union bargaining council (in contrast to its rejection of the BCOA proposals on wages and other benefits) and its very existence puts increased pressure on the BCOA. At the least, the Pittsburg and Midway settlement underlines the difficulty which the coal employers will have in retaining their original proposals aimed at punishing unofficial strikers and raising productivity.

The Labour Secretary, Mr. Ray Marshall, was meeting the two sides this evening and it is expected that negotiations will be resumed to-morrow.

But BCOA companies, which have been subjected to strikes more often than has P and M, may be reluctant to make more concessions to the union, in spite of the heavy pressure they are likely to come under from the Carter Administration.

However, yesterday it emerged that the U.S. labour movement would not oppose any attempt to end the 11-week strike which involved the Federal government taking over the mines or invoking the Taft Hartley Act. These are two of the options being considered by President Carter. Qualified approval for a radical attack on the deadlock came from Mr. George Meany, president of the American Federation of Labour-Congress of Industrial Organisations.

With the strike threatening to cause lay-offs of more union members in the mid-west and the east, labour leaders are increasingly concerned to see an end to the stoppage. The latest indications are that the White House will hold off for a few more days before trying to force a return to work.

Mr. Meany said that he would prefer to see the government seizing the mines and then laying down "conditions that the miners can accept." Acknowledging that Mr. Carter could order a return to work for 80 days under the Taft Hartley Act, Mr. Meany recalled labour's dislike of this legislation. But Taft Hartley was "part of the law of the land."

Over the last two days, President Carter has been discussing his options with Congressional leaders and none have expressed any enthusiasm for seizing the mines—a move which would require special legislation.

Editorial Comment, page 16

THE DEFENCE Secretary, Mr. Harold Brown, has served notice that the U.S. intends to assure the production of vital Middle East oil for itself and its allies in Europe and Asia, Reuter reports from Washington. Because of the importance of oil, the security of the Middle East could not be separated from that of the U.S. and its allies, he said.

In his prepared address to the private group, Mr. Brown noted that Japan imported 80 per cent. of its oil from the Middle East.

Atlantic oil drilling go-ahead

BY OUR OWN CORRESPONDENT — WASHINGTON, Feb. 21.

THE U.S. Supreme Court to-day in effect gave the go-ahead for long-delayed drilling for oil and gas to start in large tracts off the Atlantic coast.

The court rejected appeals by citizens' groups and environmentalists from Delaware, New York and New Jersey who had, with some success, taken legal action to prevent exploitation of the 867,000-acre area of the sea bed known as the Baltimore Canyon.

In a public auction in August, 1976, the U.S. had sold for more than $1bn. leases to drill for oil off the Atlantic coast. That sale had only gone through after intense legal activity immediately preceding it.

Last February, however, a U.S. district court judge ruled the lease sale null and void, largely because of deficiencies in the Environmental Impact Statement issued by the Government in conjunction with the lease sale. But his ruling was subsequently overturned by an appeals court, whose verdict was in turn taken to the Supreme Court.

The Carter Administration has supported the off-shore exploration, as has the oil industry, although, in acknowledgement of environmentalist arguments, it has promised to press for tighter safety procedures designed to minimise the risk of oil leaks before production starts.

Stevens loses in court to union

BY OUR OWN CORRESPONDENT — NEW YORK, Feb. 21.

THE U.S. CLOTHING and Textile Workers' Union to-day scored one of its most important legal gains in the 13-year battle to organise workers employed by J. P. Stevens, the second largest textile manufacturer in the U.S.

The boost for its campaign, called Operation Jericho within the union, came from the Supreme Court, which refused to hear the company's appeal against a U.S. Court of Appeals ruling that Stevens had been in contempt of previous court decrees which ordered compliance with the labour laws. The Federal Court of Appeals for the second circuit warned last October that the textile company would be fined $100,000 for each violation of the law and $5,000 for each day a violation continued.

The main practical significance of the Supreme Court decision is that the second circuit court will issue, in a couple of weeks, a compliance order applying to all of the company's plants in North and South Carolina. This means that most of the company's manufacturing facilities will have to open their doors to union organisers, who will have the right to address meetings of employees in non-work places during non-working hours—in canteens at lunch-time, for example.

Gaining access to the 45,000 Stevens employees has been a major problem for the Clothing and Textile Workers' Union, whose campaign, and Stevens' resistance to it, has become a cause celebre for labour and a symbol for the efforts of the whole union movement to organise workers in southern industries.

Once the compliance order has been issued, Stevens will be required to give the union access to company bulletin boards, and to post a copy of the contempt order to all workers who have been employed at its South Carolina plants since 1972. These letters will accompany a letter of explanation from the National Labour Relations Board which will carry the signatures of company officials and plant managers.

In the original Court of Appeals judgment in August, Stevens was characterised by the court as a "most notorious recidivist" in the field of labour law. The court agreed with the plaintiffs that violations by Stevens of previous court orders had been "massive, cynical and flagrantly contemptuous," and added, "there is no need to add any adjectives to this chorus."

In its recently-published annual report, the company declared that, should the Supreme Court decision go against it (as it has), then the company's determination to comply with any subsequent court order would be "absolute."

Chicago pollution plan in trouble

BY JOHN LEECH — CHICAGO, Feb. 21.

A PROJECT to solve the water pollution and flood control problems of Chicago, at a cost of $7.3bn, and with a network of huge sewage tunnels, is going down the drain amid accusations of bribery, corruption and engineering overkill.

The federal government is hoping to scupper the scheme by refusing to finance the second stage, without which the scheme would be virtually useless, despite the fact that it has agreed to finance 75 per cent. of the first phase.

And to-day in Chicago, the Better Government Association watchdog over city spending, has called for a Congressional enquiry, after alleging that the main contracting companies have paid more than $150,000 into the political campaign coffers of the late mayor Richard Daley and the present mayor, Mr. Michael Bilandic.

More than $700m. has already been spent on the project, and a further $1bn. is needed to complete what is under construction.

The scheme, known as the Tunnel and Reservoir Plan (TARP) contract calls for 132 miles of tunnels to be dug 200 feet under the city to connect 52 communities with three huge underground sewage treatment plants. It was conceived by the Chicago Metropolitan Michigan Commissioners as the answer to flooding and pollution problems in sewer pipes which cannot cope with flood water after heavy rain.

This particular grandiose scheme was born out of the Second City neurosis of Chicago. Now it is beginning to appear that, with only stage one completed, the city will end up with more, rather than less pollution problems.

The Better Government Association wants the scheme stopped before more money is wasted. It claims that the president of the city Sanitary Commission Mr. Nicholas Melas, is one of the beneficiaries of the financial kick-backs, and that the commissioners have awarded for consultation work more than $70m. worth of contracts which were not put out to tender. The beneficiaries of these include two former sanitary commission officials and a former federal prosecutor.

Threat to housing market

BY STEWART FLEMING — NEW YORK, Feb. 21.

CONCERN about the threat of rising interest rates to the U.S. housing market seems likely to intensify as a result of the latest slow-down in deposits at major U.S. savings institutions.

The U.S. League of Savings Associations reported sharply lower deposit growth in January and the National Association of Mutual Savings Banks reported a net outflow. The two associations are responsible for financing the bulk of home purchases.

The savings associations reported a $2.9bn. deposit growth in January, some 40 per cent. below last year's figure in the same month and the lowest increase since January, 1970, in what is normally a strong month for savings. The savings banks experienced a net outflow of $50m. compared with a $645m. growth in January, 1977.

The adverse trends in savings in recent months has caused concern about the future financing of house purchases and about the buoyancy of the housing market. Currently however most analysts argue that the saving institutions have enough cash to meet lending needs.

A constant worry however is that the recent slowing of savings growth may in part reflect rising interest rates, particularly since November last year. These increased rates have made other forms of fixed interest investment more attractive to the individual saver.

Widespread forecasts of further increases in both short and long term interest rates in the money and bond markets are intensifying these fears. Some analysts suggest however that because of the signs of a slowing in savings the Federal Reserve at least will be reluctant to move short rates higher through open market operations, particularly as money supply growth through February has been in line with its monetary targets.

Argentine lay-offs

Half of the 120,000 textile workers in Argentina have been laid off because of huge stocks and falling sales, trades union sources told Reuter in Buenos Aires yesterday. Textile companies have been demanding that the military Government reflate the economy and drop plans to slash import duties on textiles and other manufactured goods, the sources said.

U.S. COMPANY NEWS

U.S. car makers' overseas talks; Lockheed outlook; Firestone Tire profit hit—Page 31

GNP growth slows dow[n]

BY JUREK MARTIN — WASHINGTON, Feb.

THE U.S. Gross National Product (GNP) grew at a real annual rate of only 4 per cent. in the final quarter of last year, according to revised figures issued to-day by the Commerce Department, which had originally estimated a 4.2 per cent. advance.

The downward revision resulted mainly from the worsening U.S. balance of trade, which was in deficit by $7.7bn. in the final three months of 1977. Exports in the fourth quarter turned out to be $4.3bn. ? than had earlier been calcu[lated]

The principal reason for overall decline in growth i[n the] last three months remains, [how]ever the much slower ra[te of] inventory accumulation, [which] dropped from an annual [rate] of over $23bn. in the [third] quarter to just over $6b[n. in] the fourth.

The revised figures mean for the year as a whole the economy expanded at a real [...] per cent, down from 6 per [cent.] in 1976.

Room to let in space shuttles

WASHINGTON, Feb. 2[1]

THE U.S. National Aeronautics and Space Administration (NASA) is looking for manufacturers who want to test production technology in space. The agency is renting unoccupied crannies in the space shuttle scheduled to start full operation in 1980.

Prices go from $3,000 per 1.5 cubic foot up to $10,000 per 5 cubic feet on a five-day orbital run. The space agency expects its projected fleet of four reusable shuttles, similar to aircraft, to fly an average of 40 missions annually for at least 12 years, and room is likely to be available on many of them.

In California, International Technical Associates so fa[r] reserved space for 1? e[xperi]ments with automated e[quip]ment for manufact[uring] materials in space. Com[pany] officials believe, for exa[mple], that soft resins, when ex[posed] to the intense ultraviolet of the sun in space, wi[ll be] converted into a rigid co[nstruc]tion material. The com[pany] ultimately hopes to sell its [tech]nology to chemical and p[...] companies.

Katy Industries of Illino[is has] reserved space on the s[huttle] with the idea of trying to [...] in weightlessness an ex[...] metal alloy.

AP-DJ

Aircraft sale to MidEast 'must be approved'

By Jurek Martin

WASHINGTON, Feb. 21.

MR. CYRUS VANCE, the U.S. Secretary of State, warned Congress to-day that the administration could accept neither partial nor total rejection of its plan to sell military aircraft to Israel, Egypt and Saudi Arabia.

Testifying before the House International Relations Committee, Mr. Vance said that the proposed sales had to be seen as a package, and that Congress should face up to the issue as presented and vote on it "up or down."

Partial rejection—that is, prohibiting sales to the Arab States while approving those to Israel—would be "unacceptable," the Secretary said. Total rejection would be "very damaging." He added, "our role as a trusted intermediary would suffer most if the package is turned down. If you try to take the package apart, . . . you would further distort the balance which currently exists in the area."

Nevertheless, it was clear from the questioning of Mr. Vance that substantial opposition to the proposed arms sales—of 60 F-15s to Saudi Arabia, 50 F-5Es to Egypt, and 1[5] F-15s and 75 F-16s to Israel—exists on Capitol Hill. A majority of the members of th[e] Senate Foreign Relations Com[mittee] has already indicate[d] opposition to the Saudi sale while traditional supporters o[f] Israel have made no bones o[f] their belief that the U.S. shoul[d] not simultaneously sell [to] Israel less than it had wante[d] and supply to Arab nation[s] sophisticated new weaponr[y], notably the F-15.

Other objections raised t[o]day were that Saudi Arabi[a] might make available its F-15[s] to Egypt in the event o[f] another war in the area (M[r.] Menahem Begin, the Israe[li] Prime Minister, alluded to su[ch] a possibility in a week-end tel[e]vision interview here) and th[at] the announcement of the sal[e] came at a delicate time for th[e] Middle East peace negotiation[s] and might therefore reta[rd] them—a criticism to which D[r.] Henry Kissinger, the form[er] Secretary of State, has alli[ed] himself.

Mr. Vance to-day argued th[at] the sales would give the thr[ee] countries concerned the se[curity and] confidence to proceed in th[e] negotiations. He said that th[e] U.S. was not intending to p[ut] extra pressure on Israel [by] selling arms to the Arabs. [He] stated that Saudi Arab[ia] accepted that it would not [be] able to transfer its U.S. ar[ms] to another country witho[ut] U.S. permission.

In practice, either chamb[er] of Congress has up to 50 da[ys] from the day in which t[he] request covering the sales w[as] formally submitted, to veto [all] or part of them by musterin[g] a simple majority.

AP-DJ adds: The St[ate] Department, citing Liby[an] support for internation[al] terrorism, said to-day that [it] has rejected a Libyan requ[est] for spare parts for eight C-1[30] transport aircraft. The Depa[rt]ment said that Lockheed A[ir]craft has been told that it [no] longer approves the export [of] spare parts for the aircraft, [or] the provision of on-site ma[in]tenance by Lockheed te[ch]nicians in Libya.

Salvadorean's arms appeal rejected

The U.S. Supreme Co[urt] yesterday refused to hear [an] appeal by the former milit[ary] Chief of Staff in El Salva[dor] against his conviction and [?] year prison sentence for [?]ing to sell in the U.S. 10[,000] machine guns destined for Salvadorean armed for[ces], Reuter reports from Wash[ing]ton. Col. Manuel Alfo[nso] Rodriguez was convicted [of] taking part in a consp[iracy] illegally to sell the guns [in] 1976. The Supreme Court g[ave] no explanation for refusing [the] appeal.

OVERSEAS NEWS

Israeli body cuts S. African links

OUR FOREIGN STAFF

HISTADRUT, the Israeli r federation, has decided to ve its partnership with African interests in two investment companies, it announced in Tel Aviv day.

two companies had been ished to invest in chemicals netals, but it would seem esterday's decision amounts tle more than a token e. Firstly, these two com- , about which Israeli ities were being reticent, ot believed to have gone peration yet.

ndly, Israel's relations South Africa have come increasing criticism. day's decision was taken a joint session of the Histadrut's international department and of Hevrat Ovdim, the umbrella organisation of the federation's economic activities. It was taken to preserve the federation's good relations with Third World countries. In Jerusalem yesterday, these relations were sharply criticised at a meeting of the World Zionist Congress and Mr. Simha Erlich, the Finance Minister, was attacked for having paid an official visit earlier this month to South Africa. During this visit it was agreed to permit an increase in direct South African investment in Israel.

Professor Shlomo Avineri, a former Director-General of the Foreign Ministry, called on Mr. Erlich to justify the reinforcing of Israeli ties with "the racist regime in South Africa." Mr. Erlich defended the commercial relations, arguing that many states publicly criticised South Africa while quietly doing business under the table.

Thirdly, it seems unlikely that the two main joint ventures are affected by the Histadrut's decision. The first of these is Iskoor, a company jointly owned by the South African state steel company, Iscor, and Koor, the industrial holding company of the Histadrut, based in Eilat. This acts mainly as an agency for marketing South African steel in Israel. The second venture is Agbro, which was set up in 1976 and is owned 75 per cent. by Sentrachem, a South African company, and by Koor Chemicals, and Agan, a private Israeli company. This produces herbicides in South Africa for export.

Yesterday, Mr. Francis le Riche, the Managing Director of Sentrachem, said in Johannesburg that there had been "no indication whatsoever" that Koor might abandon its investment. He added that "they would be terribly silly if they did anything like that. They are making quite a lot of money. We have a number of joint projects and we have just signed one more." A spokesman for Iscor said that any suggestion of Israeli withdrawal from their joint venture would be "a complete surprise."

en continues to climb sharply

OUR OWN CORRESPONDENT TOKYO, Feb. 21.

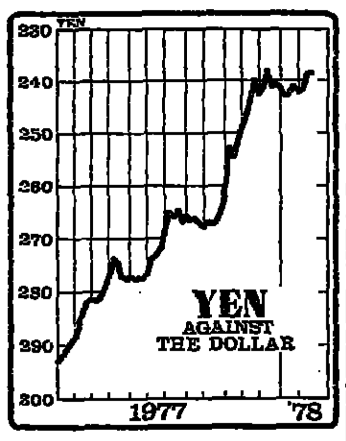
OWING ITS steep rise ndon on Monday, the yen d sharply higher against ollar on this morning's foreign exchange t. Persistent interven- y the Bank of Japan, how- pushed the rate gradually until it closed at $1 Y238.80 (a rise of 0.70 nday's closing rate of $1 Y239.50).

highest point touched the day's trading (soon he markets opened) put n at 237.10 to the dollar, than the previous day's n rate but the highest quoted on the Tokyo for the past seven The Bank of Japan an estimated $150m. f the $550m. which d hands during the day. of the upward pressure yen (in London as well yo) appeared to be due to suspicion that the Bank of Japan may have resigned itself to a slow upward movement now that the Y240 to the dollar barrier has been breached (which happened at the end of last week). For the most part, however, the yen's strength simply reflects the dollar's renewed weakness against other major currencies.

● The heavy support for the dollar in Tokyo contributed to a general improvement by the currency yesterday. European central banks also intervened, but on a much smaller scale than the Japanese authorities. The German Bundesbank bought at least $50m. and the dollar rose to DM2.0435 from DM2.0265 on Monday.

Market sources suggested that the Swiss authorities also intervened, but the amount of assistance was not disclosed. The dollar improved to Sw.Frs.1.8185.

Sterling also lost ground against the dollar. The Bank of England may have prevented too sharp a decline by the pound at times, and it closed at $1.9450, a fall of 95 points on the day. Sterling's index against a basket of currencies fell to 65.7 from 65.9.



ipan Air Lines will spend 00m. a year in the U.S.

HARLES SMITH, FAR EAST EDITOR TOKYO, Feb. 21.

AIR LINES, the Japa- onal flag carrier, expects about $400m. per year ng American aircraft 0 to 1985, the airline's , Mr. Shizuo Asada, told ncial Times to-day in an .

nports (of DC-10s and 47s) should make a size- in Japan's trade sur- h the U.S. but will AL with an acute financ- lem given that U.S. ank loans are unlikely ailable. In order to w interest funds to sup- urchases JAL is urging try of Transport to set institutional" financing ent for its re-equipment e using funds set aside 's shipping development e (but no longer ecause of the current ecession).

also contemplating a ncrease and overseas s as means of financing t purchases.

assive aircraft require- result from:

t that its existing fleet 8s may all have to be t by 1985;

the fact that the air- een very sparing with aircraft orders."

on the verge of com- three-year rationalisa- ramme on which it in 1975 after chalking m. loss in 1974 (the orst international air- in that year and the AL's history. During the he plan a virtual freeze d on new orders with that there is now something of a backlog to make up before JAL can go all out for further expansion of its international traffic.

The airline ordered two DC-10s in 1976 which are due for delivery this year and very recently announced orders for another five wide-bodied aircraft to be delivered in 1979. From 1980 onwards deliveries of DC-10s and 747s will be running at a level of seven or eight aircraft a year, assuming financing is available. The only thing that could alter this purchasing schedule would be the development by a U.S. aircraft engine manufacturer of a new quiet engine which could be fitted to JAL's DC8s in order to enable them to comply with increasingly strict U.S. (and Japanese) noise regulations.

JAL's plans for a major expansion of its fleet tie in neatly with the opening of Tokyo's new international airport at Narita in Chiba prefecture. Narita will replace the present Haneda international airport (which will thereafter be used mainly for domestic flights) from April this year. It will initially be able to handle no more flights than Haneda because of fuel supply problems which in turn are the result of environmentalist objections to the construction of an oil pipeline. It is expected, however, that the fuel problem will have been solved by around 1980 after which Narita should be able to handle substantially more traffic than Haneda.

The costs involved in maintaining both establishments can best be met by stepping up flight frequencies.

JAL's need to boost its international traffic explains another strong pre-occupation of Mr. Asada's—with the long-drawn out negotiations on the revision of the Japan-U.S. aviation agreement. Japan is seeking a fundamental revision of the agreement which will give Japanese airlines (in effect, JAL, which has a monopoly of international routes) a "fair" share of trans-Pacific routes given that two-thirds of the passengers now using those routes are Japanese.

Mr. Asada accuses the U.S. of persistantly raising "minor" issues in the talks as a means of evading discussion on the Japanese demand for parity. He says that Japan should "seriously" consider abrogating the agreement if the U.S. does not revise its tactics when the next session of the talks is held in mid-March. Abrogation would have the effect of setting a one year deadline within which the two sides would have to negotiate a completely new agreement.

There is a possibility that JAL may be ready to show more "give" on the issue of cheap fairs which are now officially favoured by the U.S. aviation authorities but to which Japan has so far been strongly opposed.

Mr. Asada says "everything points" to JAL's resumption of dividend payments this year after a three year suspension. The airline finished paying off the accumulated 1974 losses during the first half of the current fiscal year and is expected to make an operating profit for the year of around Y18.4bn. though fiscal 1978 (starting in April) may be less good.

Ethiopians promise not to enter Somalia

By Jurek Martin

WASHINGTON, Feb. 21.

ETHIOPIA HAS assured the U.S. it will not cross into Somalia territory and has agreed to receive a new U.S. ambassador in Addis Ababa in the near future, the White House announced today.

These appear to be the principal achievements of the recent mission to Addis conducted by Mr. David Aaron, deputy chief of the National Security Council, who briefed President Carter on his return to Washington this morning.

The announcement said the Ethiopian assurances were personally conveyed from Colonel Mengistu Haile Mariam, head of the revolutionary Government, to President Carter who for his part welcomed the message.

It is no secret that the U.S. would like to get a negotiated settlement to the Ogaden dispute between Somalia and Ethiopia, preferably conducted under the auspices of the Organisation of African Unity, but has found itself short of practical leverage.

Ethiopia has come to rely increasingly on Soviet and Cuban assistance after the suspension of American military arms sales, while President Siad Barre of Somalia has not been receptive to U.S. encouragement that he enter peace negotiations.

The U.S. may thus see the prospects of some thawing of relationships with Ethiopia as a way of putting pressure on Somalia to sue for peace. But neither the White House nor the State Department was prepared to divulge details of what Col. Mengistu told Mr. Aaron of the extent and purpose of the Soviet-Cuban assistance to Ethiopia.

Egypt accused by Brezhnev on peace moves

MOSCOW, Feb. 21.

Leonid Brezhnev, the Soviet President, attacked the Egyptian peace initiative to-day as a damaging surrender to Israel and called for a return to the Geneva Middle East peace conference.

Speaking at a Kremlin banquet for visiting Syrian President Hafez Al-Assad, Mr. Brezhnev said it was "clear to all that by embarking on the road of separate deals with Israel, the Egyptian leadership unilaterally began to surrender one all-Arab position after another.

"As a result, serious damage has already been inflicted on the struggle of the Arabs and the cause of the Middle East settlement."

Mr. Brezhnev, who earlier to-day discussed opposition to the Egyptian-Israeli talks with President Assad, added: "Is it not time to stop the unprincipled political manoeuvres in the Middle East and return the cause of settlement to the channel of the Geneva conference?"

Moscow has firmly supported the five-member Arab "resistance Front" that met in Algiers earlier this month. Agencies

stralia: no economic changes

NETH RANDALL CANBERRA, Feb. 21.

TRALIAN Government o-day there would be in its economic priori- te the widening rift ustralian policy and st other OECD mem-

t continues to oppose latory policies being most international In the Governor- speech to mark the the new Australian to-day, the Govern- it rejected "the notion can be a trade-off flation and unemploy-

ernor-General, Sir Zel- n, said the Government would continue to give the highest priority to reducing inflation—"for only in this way can there be a sustained reduction in unemployment."

The speech was low key but its economic content confirmed the general view expressed by the Prime Minister, Mr. Malcolm Fraser, to last week's meeting in Sydney of the Commonwealth Asian and Pacific heads of Government.

On that occasion, Mr. Fraser was saying that most of the major industrial economies—and notably the United States—were wrong in switching their emphasis from the lowering of inflation and interest rates towards curing unemployment and social problems.

Although the implications for domestic Australian policy were not spelled out then or to-day, Mr. Fraser seems prepared to pursue his hard-line approach to economic management, even without the prospects for international recovery upon which most of the policy was based.

In the Government's first two years of office, he took every opportunity to stress that Australian policies were in the mainstream of prevailing international thinking. The fact that he is now prepared to plough on without such an umbrella largely reflects the security of his political position.

Britain cool on Salisbury move

By Bridget Bloom

BRITAIN is unlikely to approve a suggestion for nationalists that it should appoint a neutral chairman of the proposed interim government in Salisbury.

The suggestion is from black nationalist leaders negotiating with Mr. Smith, the Rhodesian Premier, in Salisbury, on a so-called internal settlement of the dispute.

According to reliable sources, however, the British Government believes that to accede to such a request would be to confer tacit if not actual recognition on the proposed Salisbury settlement.

It is not clear whether the proposal for a neutral chairman, who, it is suggested, should be nominated by the interim government but appointed by Britain, has been fully discussed during the talks taking place in London between Dr. David Owen, the Foreign Secretary, and the Rev. Ndabaningi Sithole, one of the three leaders in the Salisbury talks.

Last night neither the Foreign Office nor Mr. Sithole would comment on the talks, which are to conclude this morning. However, it is understood that the talks covered the broad ground of the negotiations in Salisbury, with Mr. Sithole endeavouring to convince Dr. Owen that the proposed settlement is in earnest.

opes for Common Fund talks

ID HOUSEGO

GOVERNMENTS are resume negotiations oping nations by the r the autumn on the proposed Com- o stabilise commodity ut they are leaving ossibility of a further nt rather than risk ng political backlash occur from a further reach agreement.

r that Mr. Gamani UNCTAD secretary- making of Western s revealed that the n industrialised and nations (the Group till wide.

lised nations are in- the buffer stocking which is the focal he Fund, should be rom capital made rom the resources of individually negotiated commodity agreements. The Group of 77 are still looking towards a fund financed from subscriptions from producer/consumer commodity organisations that would function as a new third world institution.

Western Governments have apparently indicated to Mr. Corea—though there is hostility in Washington to this—that they are prepared to make more concessions to developing nation demands for the Fund to have a "soft" window for lending for other measures of interest to poorer commodity producers apart from buffer stocking. Such concessions would depend on the Group of 77 accepting the Western concept of the Fund.

The Fund, together with debt relief for the poorest nations—the main subject for discussion at the Ministerial meeting of UNCTAD next month—have become the central issues in the North-South dialogue. Western governments are worried that there is little prospect of effective negotiation on either front while the Group of 77 are strapped to a platform of demands which do not necessarily reflect the positions of the major developing nations. The tone of the demands has been set by the militant States of Africa and the Caribbean.

Thus officials contrast the progress being made in technical discussions with producer governments like Malaysia or Indonesia on reaching a rubber agreement, with the apparent lack of any real negotiating authority that delegations have from such countries in the Common Fund talks.

WORLD TRADE NEWS

Canada takes steps against imports of low-price steel

BY VICTOR MACKIE OTTAWA, Feb. 21.

Special measures are being introduced by the Canadian Government to deter the dumping of steel and to deal more quickly with steel imports that have been dumped, the National Revenue Minister, Mr. Joseph Guay announced.

Mr. Guay said that the Canadian Government believed the introduction of similar measures by the U.S. and the EEC could adversely affect the Canadian steel industry by diverting foreign steel to the Canadian market at dumped prices.

In addition the measures could restrict access for Canadian steel into Canada's traditional markets in those areas. Discussions are being held with the U.S. and the EEC with a view to minimising the impact of these schemes on Canadian exports.

He added that it was his responsibility to ensure that any major diversion of dumped steel is dealt with quickly and effectively under Canada's anti-dumping legislation where it is likely to be injurious to the Canadian steel industry.

Officials have been authorised to carry out the following measures:

● The monitoring of all imports of steel mill products into Canada so that changes in import levels may be identified at an early stage;

● The establishment of a task force to analyse the import data and to collect information on a continuing basis concerning the state of various Canadian steel sectors and with respect to foreign producers' prices and market situations;

● Use by the Deputy Minister, Customs and Excise Department of National Revenue, of his authority to initiate anti-dumping investigations without formal complaint, where he is of the opinion there is evidence of dumping and material injury or likelihood of such injury as a result of dumping.

The evidence would be based on data accumulated by the task force. With regard to the dumping evidence the U.S. "trigger prices" and the EEC "basic prices" appropriately adjusted will be taken into account in the decision whether or not to initiate an anti-dumping investigation.

● An accelerated investigation procedure.

Mr. Guay said this would result in cases being brought much more quickly before the anti-dumping tribunal in Canada where the question of material injury must be decided within a 90-day period.

Meanwhile, the Canadian National Energy Board has given domestic steel manufacturers major assistance by recommending a 56-inch low-pressure pipe for the $10bn. line to carry Alaskan gas to the southern U.S. The NEB rejected a request by project backers for a smaller diameter, high-pressure line which Canadian manufacturers would have difficulty producing.

Canadian firms capable of rolling the low-pressure steel pipe are the Steel Company of Canada (Steelco) in Hamilton, Ontario, and Interprovincial Steel and Pipe Corporation (Ipsco) of Regina, Saskatchewan.

W. German sales down

BY OUR OWN CORRESPONDENT FRANKFURT, Feb. 21.

ORDERS booked with West Germany's hard-hit steel industry fell back again last month. Bookings declined by an overall 2.1 per cent. A massive drop in orders from countries outside the EEC—primarily the United States—more than wiped out the stimulatory effects of increased orders from domestic and European Community customers.

The figures, issued by the West German Iron and Steel Industry Association, cover rolled steel finished products, but not semi-finished products, hot-rolled broad strip or special steels. They showed that bookings during January amounted to 1,928,000 tonnes compared with the previous month's 1,970,000 tonnes. Last month's figures, however, are a full 16.4 per cent. above the 1,657,000 tonnes placed in the comparable month of 1977.

Domestic bookings showed an encouraging increase of 8.5 per cent. to 1.24m. tonnes and this follows a 13.5 per cent. increase in orders in December. Orders from other EEC customers went up 21.3 per cent. to 222,000 tonnes, but in spite of the improvement they are still at a very low level.

AFL-CIO demands import curbs

BY JOHN WYLES NEW YORK, Feb. 21.

U.S. LABOUR leaders to-day adopted a wide ranging portmanteau of demands aimed at curbing both import penetration of the domestic economy and investment by U.S. corporations abroad.

Meeting in Bal Harbour, Florida, the executive council of the American Federation of Labour—Congress of Industrial Organisations (AFL-CIO) have opted for much tougher measures to protect domestic employment against the effects of imports than those currently contemplated by the Carter Administration.

Although some of the policies called for have been part of the AFL-CIO's programme for the past three or four years, to-day's programme lays a new stress on curbing imports from low wage countries and on trying to prevent U.S. corporations from taking advantage of cheap labour by moving some of their operations abroad.

The AFL-CIO council adopted a 15-point programme which includes a call for new "fair trade" legislation, a version of which the AFL-CIO hopes to have drafted by the summer. Most of the other points will be the subject of lobbying in Washington and in the country at large with the aim of building up as much public support as possible.

This is a change of tack by the Labour movement's supreme representative group, which last sought to win its trading goals in one legislative Bill that failed to pass the 1974-76 Congress. Mr. George Meany, President of the AFL-CIO, warned to-day that the U.S. was in danger of becoming a service economy. "If all of our manufacturing continues to move overseas we are going to be reduced to shining each other's shoes," he commented in typically astringent style.

The 15 points range from a call for a change in anti-dumping procedures so that Treasury and International Trade Commission (ITC) investigations take place simultaneously to proposals to close loopholes which allow U.S. companies to part manufacture goods in foreign, cheap-wage economies and then to import them into the U.S. on payment of tax on value added. The AFL-CIO also wants to remove the zero tariff provisions of the Trade act as they apply to developing countries and to abolish the overseas private investment corporation which gives some measure of insurance to U.S. corporations against expropriation of their overseas assets. Labour also wants curbs on Export Import Bank loans to the Soviet Union, China and South Africa and the development of fair labour criteria which would possibly bar imports from countries employing "child or slave labour."

U.K. shares Tornado radar deal

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

FERRANTI AND Marconi-Elliott Avionic Systems of the U.K. are to get a share in a big six-company contract to build the terrain-following and mapping radar for the strike version of Tornado multi-role combat aircraft in Europe under licence from Texas Instruments of the U.S. The deal is worth millions of pounds to the European group.

The U.K., West German and Italian Governments have ordered 809 Tornado aircraft, about 644 of the interdicter-strike (IDS) version and the rest the air-defence variant (ADV). The overall Tornado programme is worth more than £5bn. for development and production.

The terrain-following and mapping radar is vital to the IDS, enabling the aircraft to fly supersonically at low altitude in any weather. It has been designed by Texas and early models of the radar have been test-flown in Tornado prototypes.

Under the contracts now announced, six companies, led by AEG-Telefunken of West Germany, will make parts of the radars. The other participants are Siemens of West Germany and CGE-FIAR and Aster Elettronica of Italy. Ferranti, AEG-Telefunken and CGE-FIAR will also assemble the radars.

The ADV needs a radar with different capabilities. That is being designed and developed wholly in the U.K., since so far only the U.K. needs that version.

Marconi-Elliott is the prime contractor for the project, with Ferranti as sub-contractor to design and build the transmitter and aerial-scanning mechanism.

Volvo secures lorry order

STOCKHOLM, Feb. 21.

VOLVO is to sell 700 heavy-duty trucks to China through the Chinese national machinery import and export agency.

No value has been disclosed and the company would not comment on the price, but one source estimates that the vehicles would cost about Kr.350,000 (£40,000) each on the home market.

The order will not create more jobs but will improve capacity utilisation.

It is Volvo's first direct sale to China.

Vickers China contract

FINANCIAL TIMES REPORTER

VICKERS has completed negotiations for a £10m. contract for the supply of aerospace test facilities to China. A number of separate rigs will be provided, some of which will simulate operational conditions for testing various components of the Rolls-Royce Spey engine being manufactured in China under the Spey engine licence contract concluded between China and Rolls-Royce.

The contract, which has been signed between the design and projects division of Vickers engineering group and the China National Technical Import Corporation, results from close collaboration over many months between engineers of Vickers, Rolls-Royce and China in establishing the specifications of the facilities to be supplied.

Rolls-Royce will be working with Vickers on the design and supply of the equipment, which will be delivered early in 1980. The contract will also provide work for a number of specialist British manufacturers, including the supply of specialist drives, gearboxes, servo-hydraulic systems, instrumentation and detailed component manufacture to aerospace standards.

Zenith goes to Supreme Court

THE U.S. Supreme Court has agreed to hear the controversial case in which Zenith, a major U.S. manufacturer of colour televisions, claims that the U.S. must impose special duties on Japanese imports to offset "subsidies" paid by the Japanese Government to makers of these sets, David Bell writes from Washington.

A Customs Court in New York originally upheld Zenith's argument that the Japanese practice of rebating a so-called commodity tax on sets sent for export amounted to an unfair subsidy. The case is being watched with intense interest because it calls into question also the European practice of rebating Value Added Tax on exports.

The Customs Appeal Court in Washington reversed the decision of the lower court and it is Zenith's appeal from this verdict that will now be heard in the Supreme Court.

Treasury officials have argued that the Zenith case which would require a special duty in addition to existing tariffs would, if upheld, mean reducing the negotiating flexibility of the U.S. in the current Multilateral Trade Talks, risk "retaliatory action from our trading partners" and raise prices for consumers.

Carpet exports rise by £30m

British Carpet exports in 1977 amounted to £141m., a 27 per cent. increase in value of £30m. over 1976, the British Carpet Manufacturers' Association said yesterday.

Sales to the EEC countries had increased from £48.4m. to £64.6m., to the Middle East from £12.3m. to £18.7m., and to the United States from £6.2m. to £9.4m. Sales to the Commonwealth accounted for £22.8m., up from £20.5m.

Japan's car makers told to be cautious

Japan's External Economic Affairs Minister, Nobuhiko Ushiba urged Japanese car makers yesterday to exercise every discretion in sales to the United States and EEC especially Britain, Reuter reports from Tokyo.

Mr. Ushiba told the House of Councillors' foreign affairs committee he could not rule out British import restrictions but he believed they would not be invoked if self-restraint on the Japanese side succeeded.

France imports less

Sales of new foreign cars in France last year fell to 22.15 per cent. Of the overall market against 22.91 per cent. the year before, the car importers' association said yesterday.

Danish Land-Rovers

Leyland International has won a contract to supply 1,000 Land-Rovers to the Danish Army, estimated to be worth at least £7m.

The contract, secured through Leyland's Danish distributors, Dansk Oversøisk Motor Industry, is for diesel-engined military half-ton and 88 inch wheelbase vehicles to specifications agreed with Denmark. Deliveries will extend over several years.

Soviet tractors dropped

The assembly of low horse-power Soviet tractors in Mexico has been halted due to poor demand, AP-DJ reports. Following several years of extremely erratic production patterns and low demand for the Soviet-brand "made-in-Mexico" T-25, it was announced that further production of the the 25-horsepower tractor will be discontinued

Ship credits plea

The Union of Greek Shipowners Associations has asked the Japan Shipbuilders Association for a two-year moratorium on repayment of export credits received from Japanese yards for building ships, Reuter reports from Tokyo.

French deficit down

French exports of electronic components rose by 23 per cent. last year to Frs.3.831bn. while imports rose by 16 per cent. to Frs.3.910bn. to give a trade deficit of Frs.49m., down from a deficit of Frs.270m. in 1976, the industry federation said yesterday. AP-DJ reports from Paris.

CHINESE TRADE

Peking's import plan in doubt

BY A SPECIAL CORRESPONDENT IN HONG KONG

AN ECONOMIST for a major American bank in Hong Kong has published figures indicating that China's trade surplus over the past two years is considerably less than generally believed, raising serious questions about the country's ability to begin its long anticipated programme of capital equipment imports.

The economist, Mr. V. K. Ranganathan of the New York-based Citibank, believes that in 1976 and 1977 China had an aggregate trade surplus of only $600m. Most other analysts, including the U.S. Central Intelligence Agency place the surplus at more than $3bn.

These figures have been at the heart of predictions that China's production-orientated leadership has the hard currency to follow through with its plans to make foreign purchases a major part of the country's ambitious development scheme.

Mr. Ranganathan says that China's total trade in 1976 was $11.92bn. and that Peking had a trade surplus of $577m. on $6bn. worth of exports (fob) and $5.92bn. worth of imports (cif). Last year, he says, the surplus was $538m. on exports of about $6.2bn. and imports of about $5.6bn.

The CIA estimates place China's 1976 surplus at $1.2bn. Figures for 1977 trade are still provisional, but the surplus with non-Communist countries is estimated at a record $2bn., with total trade for the year put at just under $14bn.

Mr. Ranganathan explains the large discrepancy between his estimates and those of the CIA by pointing to different calculations of transport and insurance costs. In line with standard IMF procedure and increased freight rates he adds 15 per cent. to the customs clearance value of China's imports and subtracts 15 per cent. from exports. The CIA uses a sliding percentage scale, based on the distance between China and the trading partner concerned.

Another factor in differences over total trade estimates, says Mr. Ranganathan, is the difficulty in fixing China's trade with six Communist countries—Vietnam, Laos, Cambodia, Cuba, Mongolia and North Korea — which like Peking publish no official trade figures.

By monitoring such data as shipping manifests and scrutinising the Communist Press Mr. Ranganathan contends that his assesment of the value of this trade is more accurate than those of the CIA.

Mr. Ranganathan's sober estimate of China's 1976 and 1977 trade surpluses has obvious implications for the country's capital equipment acquisition programme and may help to explain why few major deals have been signed more than a year after the Peking leadership committed itself to re-entering the international market place.

During the two years in which Chiang Ching and her allies influenced China's foreign trade policy, the notion of importing advanced machinery was under severe ideological attack. Most observers believed that their fall from power in October 1976 presaged a new wave of buying.

Last October the Bank of International Settlements estimated that China's hard currency holdings totalled about $2.7bn. and with perhaps $2bn. more in gold. Peking would seem to have been in its strongest financial position in years.

However, last year's Chinese gold sales in London and Zurich, presumably made to raise hard currency, posed questions about the validity of this estimate, which Mr. Ranganathan's assessment may now be answering.

In addition to the balance of payments situation, several other factors may be delaying the beginning of China's import programme. Chinese Press reports indicate that the leadership is still coming to grips with the chaotic economic conditions it inherited from the so-called Gang of Four, and until the accounting is complete, the drafting of comprehensive developmental plans, including import priorities, will be difficult. At the same time long proposed trade agreements with Japan and the EEC, only recently concluded, likely held up trade planning.

Oil groups give back exploration areas

BY RAY DAFTER, ENERGY CORRESPONDENT

NORTH SEA oil companies have handed back to the Government 1,374 square miles of exploration area allocated in 1971.

It is thought that some of the relinquished area — including parts of blocks auctioned for a total of £37m.—may contain oil producing structures. Several of the part blocks are likely to be offered to the oil industry in future rounds.

The oil industry is unsure whether original licence holders will be given *preferential treatment or whether the British National Oil Corporation will be* given the first option on the more attractive parts of the relinquished acreage.

Altogether, 28 blocks or part blocks have been handed back. Under the terms of the licences, companies are required to surrender *at least half the area* originally comprised in the *individual licences.*

Among the blocks affected is *the Mobil Group's concession* 9/13 which cost £6.3m. The group, *which includes Amerada.* Texas Eastern and British Gas, *is now exploiting the Beryl Field* found on the block, but there *are thought to be other oil-*bearing structures in the *concession.*

Mobil sought special dispensation from the Department of Energy but it has been forced to comply with the licence conditions and relinquish half of *block 9/13.*

Shell and Esso, which paid £21.05m for block 211/21 — the most expensive concession in the experimental auction round — has been more fortunate.

As the block was part of a larger licence area, Shell and Esso have been able to retain 211/21 intact by relinquishing blocks elsewhere in the North Sea.

The Shell/Esso partnership is expected to exploit the North Cormorant Field found in block 211/21 at a cost of around £500m. The reservoir is believed to have recoverable reserves of around 500m. barrels.

Other blocks affected are 15/26, which cost the Deminex *Group £3.38m., and block 30/22,* awarded to the Texas Eastern *group after a bid of £1.52m.*

These two blocks have been partly surrendered, along with 9/13, 21/7, 21/14, 42/15, 43/11, 47/15, 48/7b, 48/8b, 48/12, 48/13b, 48/15, 48/18, 48/19, 49/9, 53/3, and 53/14.

Ten blocks have been wholly surrendered: *38/12, 38/17, 39/12,* 39/17, 42/26, 47/1, 48/11b, 48/24b, 49/6b, 49/13.

CBI wants oil money used to cut taxes

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

CBI leaders yesterday backed those Government Ministers who want to use North Sea oil revenues to cut personal taxes rather than to boost selective State financial aid to industry.

During talks with *Mr. Denis* Healey, Chancellor, CBI leaders *argued that the* revenues should not be used to increase *in real terms the total of Government* spending though there could be a fixed sum set aside for spending on *alternative* energy sources and energy conservation.

The CBI stressed that the cash should not be used for large-scale selective assistance for industrial investment, an attitude in line with Whitehall thinking, particularly the Treasury and the Department of Industry.

The CBI explained that by "large scale" it meant that, while it did not object to a "few hundred millions of pounds" being spent by the Government, it was opposed to demands *for £1bn. or more to* be allocated to State intervention.

Instead, it said there should be *substantial cuts in personal* taxation which would provide industry with the incentive it needed to expand and become *more efficient.*

This, and more stable Government policies, less state interference in trade and industry, and a steady growth of demand, would provide the greatest chance of bringing about the necessary investment it said.

Platform site bid rejected

BY RAY PERMAN, SCOTTISH CORRESPONDENT

THE GOVERNMENT took a step towards limiting the number of oil platform construction sites *yesterday when it turned down* an application by Mowlem Taywood *Offshore to extend planning* permission for a site at *Campbelltown Argyll.*

The company—a joint venture *by John Mowlem and Taylor* Woodrow Construction — has *never won an order for the site.* It has six weeks to decide *whether to appeal against the* decision.

The lack of orders for North Sea concrete structures over the past three years has hit this *side of the industry severely* McAlpine's has put its yards at *Ardyne Point on to a care and* maintenance basis and it is *likely that the Howard-Doris* yard at Kishorn will have to *follow suit later this year.*

● An £800,000 rescue system for North Sea divers, *developed by* International Underwater Con*tractors, of New York, was intro*duced yesterday in Aberdeen. The system allows an injured diver to be brought ashore by helicopter while still under pressure in a special chamber.

Bristow orders new helicopters

BRISTOW HELICOPTERS, *the* group which services many of the *North Sea oil rigs, is spending* another £6m. on new helicopters, *in addition to the £32.7m. it spent* on new aircraft last year.

The latest orders, announced yesterday by Mr. Alan Bristow, chairman, are for two U.S. Sikorsky S-61Ns, bringing Bristow's fleet of these aircraft to 24 (the biggest of its kind in the world), and two French Aerospatiale Pumas, bringing the company's Puma fleet to 10.

The new aircraft are to meet increased requirements for rig support operations.

New Ford plant may open early

BY STUART ALEXANDER

FORD'S *NEW engine plant at* Bridgend, Wales — plans for *which were announced only five* months ago—is expected to start *limited production in May or* June next year — more than 12 months earlier than originally expected.

Construction of the steel frame buildings on the 180-acre site *should be completed by Novem*ber, although bad weather is *causing delays at present.*

Machinery would then start to be *installed immediately*, with recruitment of the first workers beginning at the same time. The workforce would be built up steadily to its target of 2,500 during 1979.

All the contracts for the machinery have now been placed, as have most of the contracts for the building. The plant is expected to produce more than 500,000 engines a year when in full production, and to generate £150m. a year in exports.

Four versions of a new design of engine for medium-sized saloon cars will be produced for use throughout Europe and possibly in the U.S.

Ford announced the move to Bridgend in September last year. The *factory* is to cost about £180m., of which well in excess *of £30m.* will be provided by Government grants.

The site was chosen in preference to others in West Germany, Spain and Ireland and involved personal negotiations between Mr. Henry Ford II, chairman of Ford U.S., and Mr. James Callaghan, the Prime Minister.

Part of the reason for choosing Bridgend was that manpower would be available as a result of redundancies at British Steel plants in the area. *The steel for* the engines would also be close at hand.

Ford already has two other plants in South Wales, both at Swansea.

The plant is expected to be in full production by early 1980.

More imported cars bought for company fleets

BY TERRY DODSWORTH, MOTOR INDUSTRY CORRESPONDENT

CAR IMPORTS are gaining an *increasing* stake in the company fleet market, which accounts for about 70 per cent. of all sales by vehicle manufacturers.

This is the conclusion of an investigation of this all-important market by the Automobile Association magazine Drive.

It says that European and Japanese manufacturers are moving in on this sector so successfully that "it represents the biggest threat yet to Britain's Big Four car producers."

The magazine quotes the Society of Motor Manufacturers and Traders view that "overall percentage of imported models in the fleets may have doubled over the last four years."

Although Drive quotes no firm figures on the present level of importers' fleet sales, it says that in July 1976 they took about 14 per cent. registrations in this sector, about 50,000 cars a year.

Since then importers are believed to have increased fleet sales substantially.

"A recent survey by the Motor Schools' Association reveals a dramatic revolution, with the Datsun Sunny and Cherry replacing the Ford Escort as the schools' most popular choice."

Growth of money supply 'probably exaggerated'

BY MICHAEL BLANDEN

THE GROWTH of the money supply has probably been exaggerated in the latest official statistics, say the stockbrokers W. Greenwell in their monetary bulletin to-day.

The figures so far, they suggest, do not provide a strong case for reintroduction of the so-called corset controls over the banks. But interest rates on bank deposits, and by implication the official minimum lending rate, remain too low.

Analysing the money supply statistics for mid-January published last week, the brokers find it possible to explain away most of the sharp rise by special factors.

The sterling money stock on the wider definition (M3) jumped by 2.3 per cent. in the month to mid-January, taking growth over the first nine months of the year to an annual rate of 14½ per cent., well above the official target range of 9-13 per cent.

This, Greenwell says, was clearly excessive. It accepts special influences already mentioned by the Bank of England and when it published the figures.

These include the income tax *rebates, which the brokers esti*mate could account for about £400m.; *the large and "mislead*ing" seasonal adjustments, par*ticularly in relation to sales of* gilt-edged stock; and external influences on the money stock.

Greenwell concludes that "the *underlying rate of monetary* growth in the month to mid-*January was probably not* excessive."

On their own these figures did not warrant action by the autho*rities to increase the general* level of interest rates, "but such action will definitely be needed if, in the coming months, the growth of the money supply does not drop into single figures."

The February figures, for which the make-up day was last Wednesday, will be "crucial," possibly reflecting large window-dressing operations by the banks in case the corset is re-imposed.

Greenwell suggests that the window-dressing may not inflate the sterling M3 as much as the banks' eligible liabilities.

Dunford cuts could hit 600

By Rhys David, Northern Correspondent

ABOUT 600 workers could be affected by the redundancies planned by *Dunford and Elliott*, the Sheffield steelmaker within *the Lonrho group.*

The company announced last week *that talks with unions on* possible redundancy had started because of the poor demand for steel products.

No details of the reductions being sought have been released, but union representatives in Sheffield said yesterday they believed that four company plants would be affected.

The company is thought to have indicated that it wants to close an 80-ton electric arc melting furnace, with the loss of 17 direct jobs, at its Brown Bayley *steelmaking subsidiary.*

Rolling mill

Losses of ancillary jobs, including maintenance men and lorry and crane drivers, are expected to take the total considerably higher.

Dunford and Elliott is also thought to be proposing the closure of two sites in Rotherham, a forging department at Forge Lane and a rolling mill at Greaseborough Street, em*ploying altogether about* 100 workers.

In addition, *possibly 200 jobs* could be lost because of cuts at *the company's other steelmaking* plant, Dunford Hadfields and in *office staff.*

● The world crisis in steel is *being blamed for the loss of 140* jobs at the Manvers plant in *Mexborough*, near Doncaster, of National Smokeless Fuels, a sub*sidiary* of the National Coal Board.

Throughput at the plant, which makes metallurgical coking coal, has dropped by 30 per cent. since last summer because of declining demand from steel producers.

Pensions deadline rush

By Eric Short

FEARS OF a last-minute rush *by employers* to contract out of the new state pension scheme before the March 23 deadline have turned out to be justified.

The Occupational Pensions Board has expressed concern that a large number of employers have not submitted applications correctly to contract out. It has received about 7,200 elections from employers, most coming this year, and has only been able to issue about 3,000 contracting-out certificates.

Employers are adding to the delay by not submitting applications in the proper manner, it states.

Last November, the Board, in anticipation of this problem, announced emergency procedures to cope with the situation so that employers and their employees do not pay double pension contributions from April 6 when the new State scheme comes into operation.

The Board points out that all applications should now be *made under the emergency pro*cedures. If employers have completed all the *necessary documentation*, then the application *to contract out should be under* the Board's emergency procedures.

But if the employer cannot complete documentation by the deadline, he should submit his application immediately under the scheme emergency procedure.

About 50 per cent. of applications require further consideration either because the pension scheme rules have not been *amended to conform with con*tracting-out legislative requirements or because the election notice procedures to employees *have not been complied with.*

The Board is urging employers *to check these two points before* submitting election forms.

Shipbuilding orders lowest for 10 years

BY IAN HARGREAVES, SHIPPING CORRESPONDENT

THE WORLD shipbuilding *order-book stood* at its lowest level for more than 10 years at *the end of 1977*, according to the latest returns from Lloyd's *Register of Shipbuilding.*

Only South Korea increased its share in absolute *terms* during the year, although both the U.K. and Brazil *improved* their ranking in the world table at the expense of Sweden *and* France.

Japan's share of world orders continues to slide, under the influence of an appreciating yen and a decision earlier in 1977 to increase prices at the request of Western shipbuilders.

At the end of December, Japanese yards accounted for 9.9m. tons gross of orders or 27 per cent., compared with 18.2m. or 32 per cent. a year earlier.

Total orders outstanding or ships under construction at the end of last year were *for 36.7m.* gross tons, compared with 55.3m. tons at the end of 1976.

This represents the 15th successive *quarterly drop* since the highest figure of 133.4m. tons was *recorded* in March, 1974. More than 67 per cent. of the *orders are scheduled for delivery* by the end of 1978.

Important

Japan, although *its share* is sliding rapidly, still leads the world's shipyards *comfortably*, followed by the U.S., which has *a share of 10 per cent. or* 3.6m. gross tons, Brazil with 8 per cent. or 2.9m. grt and the U.K. with 6 per cent. (2.2m. gross tons).

The U.S. yards' success includes the important factor of a single letter of intent from Mr. Ravi Tikkoo for three 600,000 dwt tankers; and for the U.K., a *significant* deal was the £115m. Polish order signed by British *Shipbuilders at the end of* last year.

South Korea, *however*, was the most successful, actually increasing the length of its order book by 52,000 gross tons against all the odds last year, giving it a 3 per cent. share of the world's shipbuilding business.

Of the total world orders, just over 10m. gross tons is for oil tankers, which now trail slightly behind bulk carriers as the main source of activity for shipbuilders.

Switched

General cargo ships account for 9.4m. gross tons, giving an almost even three-way split between the main ship types. Considering the much greater tonnage involved in tanker and bulk vessel building, this gives evidence of the extent to which shipowners have switched their attentions to the general cargo side.

Container tonnage constitutes 19 per cent. (1.8m. gross tons) of the general cargo order book.

Liquefied gas carriers account for 3.8m. tonnes, representing about 6.1m. cubic metres capacity. Of this, 2m. cubic metres is being built in the U.S., which retains its lead in this market.

Tonnage of ships being built for registration other than in the *country of construction* shows a decrease of 1.8m. tons *to 10.5m.* tons, which is just over half the total world tonnage under construction.

The countries making the largest additions to their fleets are the U.S. (2.7m. tons), Liberia (2.6m. tons), the U.K. (1.8m. tons), Norway (1.4m. tons) and Greece (1.2m. tons).

Coal tops reserves of energy sources

BY JOHN LLOYD

RECENT estimates on the world's energy *resources show* that reserves of coal greatly ex*ceed those of any other primary* energy source. The one possible *exception is uranium* which, when used in breeder reactors, *has an almost unlimited life.*

Coal reserves which are economically recoverable are thought to total 637bn. tonnes, and, at the present rate of exploitation, will last 235 years. Ultimately, recoverable reserves could total 1,000bn. tonnes, exploitable over 370 years. If a much higher recovery rate is assumed, reserves are much larger.

These figures are based on the bulletin "Energy Trends," published by the National Coal Board's Central Planning Unit, which has brought together a number of estimates.

World reserves of oil are reckoned to total 130bn. tonnes of coal equivalent and have *life of only 30 years. On th*e most optimistic estimates, re*serves total 440bn. tonnes o*f coal equivalent recoverable ove*r 100 years.*

Natural gas world-wide is *estimated to have a longer lif*e —56 years at the current rat*e of exploitation of economicall*y recoverable reserves—believe*d to total 95bn. tonnes of co*al equivalent.

*The report says that importe*d natural gas will tend to be e*x*pensive by the time transpo*rt* costs have been added, and *a substantial part of the resourc*es shown might not be econom*ic this century.*

On uranium, the figure *is expected to move upwards* in future as more becomes know*n* about reserves. The cost *of* uranium is a relatively sm*all* part in the total cost of nucle*ar* power.

Construction output down last year

BY MICHAEL CASSELL, BUILDING CORRESPONDENT

THE VALUE of orders won by U.K. building contractors in the domestic market during 1977 showed a 7 per cent. decline from the previous 12 months.

Provisional figures from the Department of the Environment show the 7 *per cent.* fall, calcu*lated in constant price terms*, against a 6 per cent. rise in orders recorded during 1976. Actual construction output in 1977 fell by about 10 per cent.

The statistics show that the construcion sector's total 1977 order-book was, in present price terms, valued at £7.44bn. against £7.14bn. in the preceeding 12 months.

In December, 1977, the Department says that the value of orders taken on by contractors reached only £601m. against £687m. in the previous month. *The figure was £100m. lower than* the monthly level achieved three months before.

According to the Departme*nt* the value of orders taken duri*ng* the whole of the last quarter, 1977, was 9 per cent. higher, *in* constant price terms than in *the* previous three months. *They* were also 4 per cent. up on *the* last quarter of 1976.

The latest quarterly figu*res* provide some slender evide*nce* that a revival in construct*ion* activity is taking place, a*nd* forecasts suggest that actual *out*put in 1978 will show a 2-3 per cent. rise over 1977.

A further increase is fore*cast* for next year, indicating a *s*... improvement from one of *the* longest recessions the indu*stry* has had to confront.

New orders in the p*ublic* housing sector during the *last* three months of 1977 showe*d a* 14 per cent. rise on the previ*ous* quarter.

● NEWS ANALYSIS—THE COST OF TEA

Market stewing over price cuts

BY JOHN EDWARDS AND ELINOR GOODMAN

WORLD TEA prices are now highly volatile compared with *the static markets of the 1960s* and early 1970s.

This was the explanation given by a leading London market tea trader for the furore created by the Price Commission report *demanding a substantial cut in* U.K. retail tea prices.

The *uncommunicative London* tea trade argues that things *have changed from the days when* Britain dominated the world *market and accounted for half of* world consumption.

*Retail prices in Britain re*mained unchanged for 15 years, *resisting the impact of inflation* and the devaluation of sterling.

*But declining U.K. consump*tion, and the transfer in owner*ship or control of tea plantations* in India and Sri Lanka to *domestic Governments* weakened British control of the market, though *U.K. companies* have built up rival producing outlets in East Africa.

Most tea is produced in *developing countries*, notably India, Sri Lanka, Bangladesh, *Kenya, Uganda, Malawi* and Mozambique.

*Indonesia has regained its posi*tion as a leading exporter and China is also an occasional seller.

A main reason for the new volatility in prices is that the growing domestic consumption in *India*, the *biggest* producer, threatens to overshadow the *export market.*

The Indian Government has decided to *restrict exports* of tea in the current financial year *ending March 31 to 225m. kilos*, compared with exports last year of 240m. kilos.

This quota has already been met, so the *London* auctions expect no new supplies until the *end of May or early June.*

Criticism

The "first flush" of the new crop cannot be shipped until a *special committee* examining all aspects of Indian tea marketing *reports.*

It has a particular brief to study the usefulness of the London auctions following heavy *criticism* that they are controlled to a great extent by the *relatively* few large U.K. buying interests.

Faced with diminishing stocks, London tea prices have started *to rise again after* collapsing last year in reaction to the sudden surge in the market when values doubled in the space of three to four months.

But any rise in London prices should be compensated by a fall at Indian auctions selling tea that would previously have been shipped to London.

The first cuts in the shops came *in August whe nthe Co-operative* Wholesale Society reduced the price of its *own* brand tea by 5½p a quarter to 25p. The Co-op 99 brand accounts for about a quarter of packet tea sold in *grocers.*

Other companies could not afford to risk losing sales by holding their prices for long and Brooke Bond Oxo, Lyons Tetley and Typhoo Tea followed the Co-op lead.

Because there is no recommended price on tea, charges to shoppers varied. Some small grocers were still asking well over 30p a quarter, while some of the supermarket charges were nearer 25p.

The next cuts from the blenders came in November when the Co-op trimmed its prices by another 1p a quarter.

The grocery trade had been expecting more cuts and some groups cut back on their forward buying.

It was expected that the Co-op would lead the way but to the surprise of the supermarket buyers, the manufacturers [illegible] allowed themselves to be pre-empted by the publication of the Price Commission's report.

The manufacturers seem [illegible] to agree to further reduction[s in] the next few months.

The questions at to-day's m[eet]ing between the Departmen[t of] Prices and the tea companies [are] when and how much.

Average

Few of those groups charging very low prices for [illegible], however, seemed seriously [illegible] expecting the kind of cuts [from] the manufacturers which w[ould] allow them to reduce [illegible] prices by another 5p.

Indeed, the Department [of] Prices seems less conce[rned] about the size of the cuts [than] about getting average [prices] down to the 21/22p level re[com]mended by the Commission.

On that point, it is very [illegible] and with a by-election on [the] horizon, Ministers are not [likely] to be satisfied with much les[s].

Lloyds Bank Group chief executive

. Norman Jones, now deputy f executive, is to become chief utive of the LLOYDS BANK UP when Mr. Peter Piper es on September 30.

. Piper, who will remain a tor of the bank, became its group chief executive in being promoted from chief ral manager to steer the opment of the bank's inter- nal and domestic activities.

. Jones was appointed to the post of deputy group chief itive in 1976, having pre- ly been an assistant chief ral manager of Lloyds Bank special responsibility for co-ordination. He is a tor of the parent Board and a director of Lloyds Bank rnia and of the National of New Zealand.

★

J. Michael Totterdell has appointed executive direc- f E. ST. JOHN HOLT AND CIATES with special respon- y for safety training. Mr. dell was previously group intending safety officer for Laing and Son.

★

Andrew Welch takes over rector of the Arts Centre, ERSITY OF WARWICK, at id of this month. He comes rwick from London, where ld the post of drama officer British Council, organising and dance tours overseas.

★

Bill Murray has been ited as Lambeth's director using and property services. urray is at present housing for the London Borough igton and will be taking up st in May.

★

Ian M. Clubb, managing r of Thomson North Sea, he executive Board of THE SON ORGANISATION on 1. Mr. Alastair Dunnett is the executive Board but ontinue as chairman of on North Sea and the other oil companies.

G. Hedgecock vacates the nent as managing director mson Yellow Pages for an ent within the organisa- lated to future develop- He is a member of the ve Board of The Thomson ation, Mr. R. I. Eyres, sales , is appointed managing r of Thomson Yellow Mr. W. C. Golding is n.

G. Hamill will be respon- r a newly-created services of The Thomson Organi- which will be concerned he group's interests in y and will develop certain lly related services. Mr. is a member of the execu- oard of The Thomson ation.

ryan Llewellyn will hand the chairmanship of n Travel to Mr. John who becomes chairman anaging director. Mr. yn is managing director ef executive of Thomson ions and both he and Mr. are members of the e Board of The Thomson tion.

★

ordon Watson has been d Scottish Airports from May in succession Vivian Camacho, who will rning to London from to take up the vacant airport services director. son joins the BRITISH TS AUTHORITY from Norman (Bembridge), e was managing director.

★

AN INDUSTRIES has d the following appoint- its Board: Mr. Herbert S, resident of the wholly- merican subsidiaries of Dr. F. A. G. Schoenberg, of the Supervisory Board, ternational N.V.; and Mr. rley, managing director, 1.

★

IDE INDUSTRIAL ES. Mr. Tom Wood, g director, has been l executive director of industrial battery s in Europe. Mr. Simon home sales manager at any's Matlock home sales the past four years, has de director of motive les at the Clifton plant. e Bodicoat, manager of International Marketing, me director of standby nd export sales at the ant.

★

w members have joined MISSION FOR THE NEW who will take up their nts on March 1. They Quinton Hazell, former of the West Midlands Planning Council (1971- irman of Supra Group, director of Phoenix ; Mr. John James, vice- of the Royal Institution ered Surveyors: Mr. Mackenzie, managing f Slough Estates; Coun- lam H. Sefton, chairman n New Town Develop- poration and of the st Economic Planning member and former of Merseyside County and Mr. Philip Vine, of the New Towns Staff n, a member of Telford nt Corporation, and Town Clerk and chief officer of the City of n.

★

n Adamson, who has inted director of the nt's PROPERTY SER- GENCY for the North n in succession to Mr. , was previously the regional administrative

★

man Dadd, latterly a Unifeeds International, appointed commercial t development director the Unilever services n Merseyside.

★

MARSHALL INVEST- has announced the appointments in the . W. Marshall and M. J. Pyle to be ecutive and joint director; Mr. M. A. nd Mr. M. J. Warren, ging directors; Mr. J. A. ector. Saturn Invest- . P. G. Bainbridge, to ecutive and managing Mr. G. H. Dees, a nd Mr. P. L. Clein, an anager.

★

ald V. Richardson has esident and managing director of AIR JAMAICA. Mr. Richardson succeeds president Mr. G. G. Machado, who remains with the airline in a consultative capacity until September. Mr. Richardson, who joined Air Jamaica in May 1977, had been general manager, cargo services, for Air Canada since 1974.

★

Mr. Keith Rhys-Jones, general manager of Cape Insulation's Glenrothes factory, has been appointed chairman of the PHENOLIC FOAM MANUFAC- TURERS' ASSOCIATION. Mr. Bill Relph, managing director of Plaschem, becomes deputy- chairman, and Dr. Allan Barnett, of Lankro Chemicals, continues as secretary to the Association.

★

Mr. J. A. Thorpe has joined the Board of F. W. THORPE.

★

Mr. George E. Holmes has been appointed director of the NATIONAL DAIRY COUNCIL in succession to Mr. W. G. Speak- man, who retires in May. Mr Holmes, who will join the Council at the beginning of April, is at present sales director of the North Thames Gas Board.

★

Dr. A. G. Lehmann has been appointed director of the INSTI- TUTE OF EUROPEAN STUDIES, with the title and status of Pro- fessor, from October 1. Dr. Lehmann was managing director and deputy chairman of the Linguaphone Institute and its sub- sidiaries from 1968-77.

★

Mr. W. R. R. Bruce has been appointed director of the PRE- RETIREMENT ASSOCIATION, succeeding Mr. Fred Kemp.

★

SCANDINAVIA BANK has announced the appointment of Mr. L. J. Pocock as regional manager and representative for its new representative office in Singapore.

★

Mr. Barrie Bedford has been appointed director and general manager of NORTH ROAD FOUNDRY (FERRYBRIDGE), a subsidiary of Dorada Engineering, which is part of Dorada Holdings. Mr. Bedford recently returned from South Africa, where he managed a foundry in Port Elizabeth. He was previously executive director and general manager of Yate Foundry.

★

Mr. Gareth Jones has been appointed managing director of UNIVERSAL GRINDING WHEEL COMPANY and of LUKE AND SPENCER COMPANY from March 1. Formerly director and general manager (U.K. opera- tions), Mr. Jones's appointment follows the increasing involve- ment of Mr. Terry Peterson, chief executive of the Unicorn Group's grinding wheel division, in the company's overseas activities.

★

Mr. Norrie McBride has been appointed to the Board of EN- TOUT-CAS, a subsidiary of Crest Nicholson, as financial director.

Mr. Rex Nicholson, at present managing director of Osborn- Mushet Tools, has been appointed to the Board of the parent company, SAMUEL OSBORN AND COMPANY.

★

CLYDESDALE BANK. From March 17, Mr. David Hay, an assistant general manager, is to be a general manager; Mr. Robert A. Laurenson, at present manager, chief office, Dundee, and Mr. A. Richard Cole-Hamilton, head office manager, will become assistant general managers; Mr. David Young, presently a general managers' assistant, will be head office manager; Mr. David R. Robertson and Mr. Robert C. Legge, both presently superin- tendents of branches, become general managers' assistants; and Mr. Scott M. Pirie, presently manager of the Bank's Peterhead branch, is to be manager, chief office, Dundee.

★

Mr. J. A. Stevenson, general manager of Lincolnshire Road Car Company since 1972, is to be seconded to the DEPARTMENT OF TRANSPORT in London as bus adviser from April 1. Mr. Peter Scully, whose secondment to the Department ends on March 31, is appointed operational development executive at National Bus Company. Mr. Scully was previously general manager of Alder Valley Services.

Deputy chairman for Stock Exchange

By Margaret Reid

MR. GEORGE Nissen, a part- ner in the stockbroking firm of Pember and Boyle, is to become one of the London Stock Exchange's deputy- chairmen in June. He will succeed Mr. John Powell, 63, who was elected in 1976 for two years.

The change will continue the usual practice of having one broker and one jobber as deputy-chairmen. Mr. John Robertson, 43, a partner in jobbers Wedd Durlacher Mordaunt, was also elected in 1976.

Mr. Robertson is expected to continue for a further year so that he will serve for the usual three years before becoming Wedd's senior partner in suc- cession to Mr. Dick Wilkins in 1979.

Mr. Nissen, 47, has played a substantial part already in the Government of the Stock Exchange. He was elected to the council in 1973 and is vice- chairman of the quotations and the information and communi- cations committees.

He also serves on the com- mittee preparing the Exchange's evidence to the Wilson Committee on Financial Institutions and is the Exchange's representative of the Inflation Accounting Steer- ing Group, often known as the Morpeth Committee.

HOME NEWS

Noisy night flights to be phased out

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE GOVERNMENT intends progressively to reduce the number of flights by noisy aircraft at Heathrow and Gatwick over the next ten years, while allowing flights by quieter aircraft to increase slightly.

The effect of this policy, announced by the Government yesterday, will be to ensure that by 1987, *there will be no flights* at those airports by such aircraft as Boeing 707s, DC-8s and VC-10s, but rather more flights by such aircraft as TriStars and A-300 Airbuses.

Giving details of the policy, foreshadowed in the recent White Paper on airports policy, Mr. Stanley Clinton Davis, Parliamentary Under-Secretary for *Aviation, said yesterday* that there would be no transfer of night jet noise nuisance to Stansted or Luton.

"Noisier aircraft movements at Stansted will also be phased out over the next ten years. I expect Luton Corporation to introduce restrictions at Luton *Airport similar to those at* Heathrow and Gatwick."

The plan now is to cut the number of noisy jet movements at night in summer at Heathrow from this year's level of 2,000 by 200 a year until 1986, when there will be 400, and then cut them out entirely from 1987.

For the winter at Heathrow, they will be cut by 200 a year from the present 1,800 to reach zero by 1987.

At Gatwick, the cuts will be broadly similar, from the present *2,500 in summer and 1,250 in* winter to nil by 1987.

At the same time, however, there will be increases in the permitted night movements of the quieter jets, at least until 1981, when the results of a new *Government survey on "aircraft* noise and sleep disturbance" *become available.* At that time, the situation so far as the quieter jets is concerned will be reviewed.

But up till 1981, the aim is to *permit the present summer totals* of quiet jet movements of 1,700 *at Heathrow and 3,100 at Gatwick* to rise to 2,300 and 4,000 respectively. The winter totals will rise from the present 1,400 at Heathrow and 1,700 at Gatwick to rise to 1,800 and 2,000.

Although described as "movements," the figures cover both *landings and take-offs, and it* is up to the airlines to decide how these quotas are divided among them.

Whether an aircraft qualifies as *noisy or quiet is decided* on the basis of a formula devised *by the Department of Trade*—the noise it makes within the 95 Perceived Noise Decibel (PNdB) contour when operating at maximum weight. This is the level below which, on evidence now available, an aircraft *is not likely to awaken the* average person.

A major aspect of the Government sleep disturbance research programme will be to measure this. The criteria are stringent—the 95 PNdB contour covers four square miles on take-off and 2.5 square miles on land*ing—and only the most modern* aircraft are likely to meet them.

No early answer to commuter problems

BY LYNTON McLAIN, INDUSTRIAL STAFF

A SOLUTION to commuting problems in London may not emerge until the 1990s, said Mr. *Peter Parker, chairman of the* British Railways Board, in London yesterday.

He was speaking at a City of Westminster Chamber of Commerce lunch.

Mr. Parker said nearly 40 per cent. of the 1m. travelling into London daily used British Rail, 32 per cent. London Transport, 14 per cent. bus and 17 per cent. car.

The railways' problem was that 250,000 of its passengers into London travelled between 8.15 and 9.15 am. For the rest of the day up to 4 pm. the Southern system in particular was "hopelessly over-provided *for and under-used.*"

London and the SouthEast contributed £270m. to British Rail's revenue of £685m. a year. Of this, £523m. went on direct costs, leaving £162m. national contribution to indirect costs of signalling and track.

To meet the objectives of the transport policy document *Opportunity for Change,* price increases in real terms on top of inflation of about 7½ per cent. a year from 1977 *to* 1981 would be needed.

But for Londoners there was no alternative to higher fares.

● London Transport has spent £330,000 *on an experiment,* which begins on Sunday in the London Borough *of Havering* based on a multi-ride ticket and claiming to give passengers the cheapest bus ride in London.

The ticket will cost 50p, and will be valid for ten journeys spread over any period.

The scheme will be reviewed at the end of six months with the aim of determining if it can be operated in buses which pass through Central London.

Rate aid for cost of snow clearing

By Christopher Dunn

LOCAL AUTHORITIES in the snowbound South-West may have to pay only the product of a penny rate toward the emergency *operations, Mr. Dennis Howell,* Minister for the Environment and responsible for co-ordinating Government help, said in Taunton yesterday.

"This is the sort of formula I have discussed with the local authorities, and the sort of formula that they think reasonable." But he could not estimate *the total cost of the operation* until all the snow had been cleared.

A similar compensation formula was agreed between local councils and central Government after flooding in January on the *East Coast.*

The Government was still not committed to anything, officials in London stressed. Talks on money had not started. The important thing was to get on with the job.

Mr. Howell warned sightseers to stay away from the area as troops moved in to help clear snow from the roads and police, and emergency services searched *for trapped motorists.*

Thick fog hampered fodder *drops to farms on high ground* and delayed electricity reconnections. By last night, about 6,000 homes, mostly in Devon, were still without electricity.

Fuel shortages for helicopter mercy missions were slightly eased *when a relief tanker* struggled through to the RAF base at Chivenor, Devon.

Pledge to improve railway catering

BY IAN HARGREAVES

BRITISH RAIL *plans a shake-up* of its train catering services after a year of criticism from consumer organisations.

Mr. Peter Parker, British *Rail chairman, told a Commons* select committee that the aim would be to improve the quality of refreshment available and standard of service, even if it meant increasing last year's £2.5m. deficit on catering. "Per*haps we aren't losing enough.* This is a promotional expense." he said.

Mr. Bob Reid, the Board member for marketing, has been put at the head of a working party on train catering with the eventual *object of giving the service,* known as Travellers' Fare, a separate board structure, responsible to a British Transport Hotels holding company.

Earlier, Mr. Michael McNair-*Wilson, a Conservative member* of the committee, had complained that breakfast on British Rail was now more expensive than at Claridge's.

British Rail told the committee that it is refurbishing 100 buffet cars. It accepted its mistake *in* the past of not ordering modern catering stock to go with its improved passenger coaches. Mr. Parker denied, however, that his *reference to "aging stock"* was intended as a comment on Travellers' Fare sandwiches.

Reacting to last week's Price Commission report on fares, Mr. Parker made it clear that above-average increases would con*tinue for commuters in London* and the South East, even though *British Rail had accepted the* Commission's requirement for more detailed financial justification of the policy.

National Bus loses £1m

THE National Bus Company has lost £1m. so far this year because of bad weather, Mr Robert Brooke, the company's chief executive, said yesterday.

Half of the loss was due to snow-bound roads in the West Country, where 3,000 vehicles were immobilised early this week.

The vulnerability of National Bus to such losses showed the need for contingency provision within its accounts—a provision still not made, partly because of the Government's refusal to *grant exemption from interest* on capital debt.

Mr. Brooke *confirmed,* as reported in the Financial Times last month, that National Bus expected to show a slightly improved performance in its 1977 accounts, compared with the £4.4m trading profit in 1976.

Automatic forging results encouraging

BY OUR SHEFFIELD CORRESPONDENT

THE FIRST of the new genera*tion automatic forging machines,* developed by GFM of Austria, *are now being commissioned in* the British steel industry. Initial *results from both machines are* said to be highly encouraging.

Although the two machines are *similar in concept, they are being* applied to differing aspects of *forging. British Steel has one* machine at its Ickles works in Rotherham—part of the BSC Sheffield Division—tailored to the production of railway axles.

Manning has been cut by nearly half as a result of the *introduction of the machine.* Management now expects an immediate increase in yield of about 9 per cent.

One unexpected bonus has been the substantial cut in noise levels compared with a conventional forging shop.

The corporation also plans other forging operations on their GFM machine, which forms the centrepiece of a £5m. development at Ickles, to take up spare *capacity.*

The other machine is operating at the *Openshaw works in Man*chester of Edgar Allen Balfour, the Sheffield-based private sector steel, tool and engineering group, and is a big factor in the group's steel investment programme.

The forging machine will *handle about 60 per cent. of the* EAB Steel workload. It can pro*duce special steel bars of up to* 8 metres long and a variety of *shapes and sizes. The ingot* cogging operations can handle high speed and tool steel and work down to a 2.25 inch square.

Mr. Graham Wise, managing director of EAB Steels, said the commissioning of the machine had gone exactly to schedule.

Investment attitudes survey to be published

BY MARGARET REID

A SURVEY of the investment attitudes and financing of 48 medium-sized companies carried out *for Sir Harold Wilson's com*mittee on financial institutions *by City accountants Coopers* and Lybrand, is to be published on Monday.

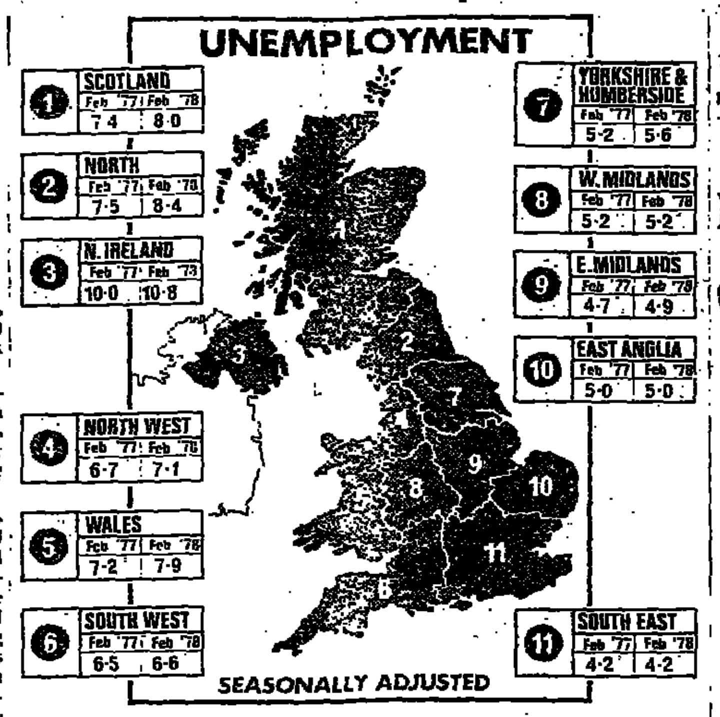
The study was commissioned last August and presented in January. It covers corporate planning and financial criteria, *investment appraisal constraints* on investment and uses made of various sources of external finance and financial guidance.

Written and oral evidence on the *financing of industry* and trade from the Export Credits Guarantee Department, the insurance company associations, the National Association of Pension Funds and the Stock Exchange is also being pub*lished on Monday.*

Sir Harold and his colleagues *will soon consider their second* main subject, supervision and regulation of the financial institutions.

Papers are expected by the *end of March from the Treasury,* the Bank of England, the Stock Exchange, the *City* Take-over Panel, the Trade Department, the insurance company associations and the London clearing banks.

LABOUR NEWS



Jobless total drops only in the South

BY DAVID FREUD

UNEMPLOYMENT fell in the south of the U.K. in February, although it increased in north-western and northern England and in Wales, following a trend that has emerged over the last year.

Department of Employment figures show that a 0.1 per cent. drop in the number of jobless in the South East and South West by an equivalent percentage rise *in the North and Wales.*

At the same time the level of unemployment among women continued to rise more sharply than the male rate. In February the seasonally adjusted U.K. figure for jobless women was *4.1 per cent. compared with a* 7.1 per cent. male rate.

However, the number of men out of work grew by only 2.9 per cent. to 1.03m. in the last 12 months, while the increase among women was 12.5 per cent. *to 0.39m.*

Over a longer period, the relative increase in female unemployment is even more marked. In the last four years it has *increased by 331.8 per cent.* since it stood at 88,900 in February, *1974.*

Over the same period male unemployment increased at less than a third of the rate by 109.7 per cent. from 0.49m.

Regional rates of unemployment have widened in the last year. Earlier in the recession there was a *narrowing of* differences.

Rates of unemployment over the 12 months from February last year have been stable in the South East, East Anglia and the West Midlands. These regions were *among the best to start* with.

Unemployment increased in *all other regions. The worst rise* was in the North, where the seasonally-adjusted rate of unemployment rose from 7.5 to 8.4 per cent.

In Wales the rate rose from 7.2 to 7.9 per cent., in the North *West from 6.7 to 7.1 per cent.,* Yorkshire and Humberside 5.2 to 5.6 per cent., Scotland 7.4 to 8.0 per cent., East Midlands 4.7 to 4.9 per cent. and the South *West 6.5 to 6.6 per cent.*

By contrast, the South East's unemployment remained steady *at 4.2 per cent.,* as did East Anglia's at 5.0 per cent. and the West Midland's at 5.2 per cent.

The widening gap between unemployment rates in different *parts of the country means that,* excluding Northern Ireland, the rates now range from 4.2 to 8.4 per cent., compared with a year ago when they were 4.2 to 7.5 *per cent.*

Merseyside wins £4.3m development boost

BY OUR LIVERPOOL CORRESPONDENT

MERSEYSIDE'S economic potential *is to be boosted by a £4.3m* investment, part of the £85m budget proposed for the coming financial year by the County Council.

Three million pounds has been allocated for new economic initiatives and Sir Kenneth Thompson, council chairman, said yesterday that development *of Aintree racecourse*—venue for the Grand National—as a leisure *complex, and establishment of a* maritime museum would be priorities.

"These are the sorts of projects which the council can help to nurture and develop without committing itself to vast expendi*tures," he said.*

The council will also search *for new job openings.* Merseyside Special Development Area's unemployment rate was an*nounced yesterday at 11.3 per* cent., marginally down on the previous month but still far above the national average. There are 85,531 jobless in the development area and more than 39,000 in the city of Liverpool alone.

The budget allows £349,000 to service new industrial sites, and as much again should be available in grant aid from central government and the EEC.

Small firms will get £550,000 in assistance plus a further £180,000 for new and refurbished *premises.*

Light bulb man warned

BY LYNTON McLAIN, INDUSTRIAL STAFF

MR. DAVID MEIKLEJOHN, the *leading consumer witness before* the House of Commons Select Committee investigating light-bulb life, yesterday told MPs that it could take three months to substantiate fully some of his earlier accusations.

On January 25 he told the committee that some witnesses for Britain's lamp industry had deliberately lied to the committee.

Mr Ted Leadbitter, Labour MP for Hartlepool, called for Mr. Meiklejohn to back his accusations. He said Mr. Meiklejohn *could himself be placed in a* position of being called before *the House if he had misled the* committee.

Mr Ian Lloyd, Tory MP for Havant and Waterloo, said there had been "a profound conflict of evidence from Mr. Meiklejohn and from the lamp companies."

Mr. Meiklejohn replied that he would be mistaken, but "if I *mislead I could end up in the* dock." He refused to withdraw his accusations, in spite of two opportunities to do so from Mr. Leadbitter.

Tether asks for FT union minutes regarding dispute

THE INDUSTRIAL tribunal hearing into the reinstatement claim of Mr. C. Gordon Tether, Financial Times columnist, spent most of yesterday in private session. It then resumed in public *for an argument over the* production of National Union of *Journalists' chapel (office* branch) minutes.

Mr. Tether, 64, who wrote the Lombard column in the Financial Times for 21 years, claims he was unfairly dismissed. His sacking 16 months ago followed a protracted wrangle about the control of Mr. Fredy Fisher, the editor, over the daily column.

Mr. Tether told the tribunal that he thought Mr. Mark Van de Weyer, father of the paper's NUJ *chapel, had "misrepresented the* sense" of the meetings which dis*cussed the dispute when he gave* evidence at an earlier hearing.

He had put this to him then in cross-examination, but he could not prove it without access to *the minutes.*

Mr Van de Weyer replied that no *document relating to the* chapel's part had been withheld from Mr Tether. He had assisted Mr Tether in providing every document relevant to the case.

He did not recall Mr Tether asking for the minutes when he gave evidence. But Mr. Tether wrote to him asking for them two weeks ago—"my reaction is that I have given him all the information I could in relation *to his case. At one time he was* complaining that I had revealed *too much."*

Witness

Mr. Tether commented: "You might have revealed too much to the Financial Times—that is a different matter."

Mr. Van de Weyer was a witness for the Financial Times—*why should Mr. Van de Weyer* suppose that he (Mr. Tether) was *prepared to rely on his interpre*tation of the minutes?

Mr. William Wells, QC, the chairman, intervened and said that it was clearly a matter of argument not cross-examination.

Mr Van de Weyer said he *objected to every matter relat*ing to other individual chapel members being seen. But he would certainly produce the relevant parts relating to Mr Tether.

Mr. Wells asked Mr. Tether if he would be satisfied by Mr Van de Weyer producing, as soon as possible, copies of all the minutes of the chapel relating to the dispute. Would he accept Mr. Van de Weyer's word that these were the relevant minutes set out in full?

Mr. Tether: "That is all I have ever asked Mr. Van de Weyer *to provide."*

Mr Van de Weyer agreed to do this, but Mr. Tether commented that he could not accept Mr Van de Weyer's statement of evidence given to the earlier hearing as "gospel."

Mr Bryan Dupe, a member of the three-man tribunal, *reminded him that Mr. Van de* Weyer had made his statement *on oath.*

Mr. Tether replied: "As to that, Mr. Dupe, we all have to reserve our own thoughts. There are minutes of those meetings, and I would like to see them."

The tribunal then considered the articles rejected for publication *by Mr. Fisher, and later* published by Mr. Tether in a *booklet.*

The hearing was adjourned until to-day.

Ruling for TASS in recruiting dispute

By Christian Tyler, Labour Editor

THE WHITE-COLLAR section (TASS) of the Engineering Union yesterday claimed a second victory over Mr. John Lyons' Engineers' and Managers Association for recruitment in the engineering industry.

TASS said it had received the decision of a TUC disputes committee telling the EMA to stop recruiting at Hawker Siddeley Power Transformers in Walthamstow, North-East *London.*

The decision, under the TUC's Bridlington principles, is certain to add to the internal controversy about the EMA's *success in recruiting managers,* and to the political controversy *engendered by* Mr. Ian Mikardo's private member's Bill seeking to give precedence to the TUC procedure over the statutory procedure of the Advisory, Conciliation and Arbitration Service.

Mr. Lyons said yesterday he had not received the terms of the award and could not yet comment on the union's next move. But he said: "The *decision will confirm how right* we have been in opposing the Mikardo Bill.

"What is so different about Bridlington as against ACAS is that Bridlington does not have to take the slightest notice of the opinions of the people involved. I think that is unacceptable in this day *and age."*

At issue is who should represent 46 managerial staff at the *Hawker Siddeley plant; 43 were* EMA members at the start of the dispute and one a TASS member. The EMA's membership has since dropped to about 30.

They are a bargaining unit originally identified by ACAS, according to the EMA, within a wider group of 109 managers and *technical* staff. TASS claims 35 or so members in the wider group. During the 13 months it has taken to process the TUC hearing, the case has been to and fro between ACAS and the TUC.

Tougher

The TUC award, which according to TASS is much tougher than a similar one in its favour at GEC *Reactor Equipment, of Whetstone, near* Leicester, says not only should EMA stop recruiting but it should also exclude those individuals it has taken into membership.

It adds: "By joining AUEW (TASS), which has membership in the company and agreements with the company and *with the Engineering Em*ployers Federation, the individuals concerned will be members of the union holding existing rights with the company and the EEF."

In the bitter aftermath of the GEC decision, the EMA has issued a writ against the TUC. It is also seeking a declaration *against ACAS, alleging delay* in following up EMA's reference to it under the recognition provisions of the Employment Protection Act. The second hearing is expected, first, in several weeks' time.

Texaco drivers accept deal

SHOP STEWARDS representing Texaco tanker drivers yesterday joined those at Shell, BP and Esso in accepting a pay deal that will give increases of about 10 per cent. now with a promise of *a further 10 per cent.* next November.

Provincial news talks deadlocked

TALKS aimed at ending the three-week provincial newspaper dispute ended in deadlock last night in London.

The National Union of Journalists accused the employers of attempting to "fine" union members who had taken industrial action.

The employers, the Newspaper Society, had refused to back-*date fully a £7.09 national* pay increase to January 1.

Journalists are being called on to step up sanctions from to-day, including a ban on week-end working and insistence that proper supervision be given to trainees.

National union chiefs called to Speke talks

BY PHILIP BASSETT, LABOUR STAFF

NATIONAL UNION officials were called in a day early yesterday to talks at the strike-*bound* British Leyland plant at Speke, Merseyside — a move which could spell trouble for Leyland's plans for a smooth transfer of TR7 production to Coventry when the Speke Number Two factory closes.

At Leyland's Cowley car factory, more than 900 engineer*ing workers walked out on strike* yesterday, over a demarcation *dispute in a long-standing row* over payment for extra work.

Mr. Grenville Hawley, national automotive secretary of the Transport and General Workers' Union, and Mr. Terry Duffy, Midlands executive member of the *Amalgamated Union of Engin*eering Workers, went to the Speke plant to start *negotiations* with plant management on Leyland's attempt to get a return to work at Speke.

The move could point to a *breakdown of negotiations* on an agreement for new manning *levels needed before* Speke can be opened.

Under the terms of the Leyland attempt to get a re-start at the plant, national officials would not be called in until talks with Speke shop stewards finished to-*day.*

Leyland is now less hopeful that a proposal for a return to work—which would give the workers three months' pay before the TR7 plant is closed and would make the closure and the transfer of the TR7 much easier—will be put to the 1,800 strikers *at a meeting on Friday.*

At Cowley, the strike by AUEW members in the body plant has stopped production of body shells for the Maxi and the Princess, and is expected to lead to big lay-offs before the strikers meet again to-morrow.

The maintenance fitters are seeking a similar payment for *lunchtime working* as AUEW men in the nearby assembly plant, who get £1.62 a week for staggering lunchbreaks.

Leyland says the body plant workers' action is unconstitutional as their claim is still in *procedure* but the men say the claim was put in more than two years ago.

The body plant fitters protested on Friday when a member of the plant's management carried out a repair in their *lunch hour.*

The fitters then blacked the work, *and their pay was* suspended until they resumed normal working. They walked out yesterday after a meeting to discuss the dispute.

Midland Bank ends pact with NUBE

BY NICK GARNETT, LABOUR STAFF

THE MIDLAND BANK is scrapping its procedure agreement with *the* National Union of Bank Employees because of the upheaval in negotiating procedures affecting the London clearing banks.

The move could lead to further strife between NUBE and the Association *of Scientific,* Technical and Managerial Staffs which also has members in Midland and has been making increasing inroads into financial institutions *generally.*

NUBE has had a procedure agreement at the Midland since 1970. The bank has been discussing the possibility of common negotiating machinery with the union and with ASTMS—which does not have a formal agreement.

NUBE has withdrawn from *national negotiating machinery* for the clearing banks and has also told the Midland that it is suspending its attempts to set up joint procedures with ASTMS *at Midland.*

That decision by NUBE has been taken partly because of worsening relations with ASTMS throughout the finance sector, but is also in line with its decision to sever its bargaining relations with staff associations in *the other banks.*

With the national machinery in disorder, individual banks' arrangements are certain to become more influential. The Midland said yesterday that as its local arrangements were un*balanced—with NUBE but not* ASTMS having a formal agreement—its position was untenable.

The bank felt that NUBE, *with 12,000 members,* could have used its agreement as an unfair *lever against ASTMS (8,000* members), resulting in a far more unstable relationship between the banks and the two organisations than now exists.

Midland is now drawing up new negotiating arrangements, *probably identical for the two* unions, to replace the present agreement with NUBE which runs out in May.

NUBE said yesterday that *Midland's decision was* bad for industrial relations and some of its members at Midland might take industrial action.

Steel craftsmen to meet on pay and jobs package

BY OUR LABOUR STAFF

UNIONS representing 27,500 craftsmen in the steel industry *will call a delegate conference* of their members next month to discuss the British Steel Corporation's pay offer of 9½ per cent. in return for union co-operation on economy measures.

Talks on the offer with BSC broke up this week when the craftsmen were told that if they *were not prepared to discuss the* conditions, the Corporation *would revert to its original offer* of 6 per cent.

If BSC takes the same firm line *with leaders of the Iron and* Steel Trades Confederation at pay talks to-day, *the ISTC, the* biggest union with 67,000 production workers and 30,000 staff at British Steel, could be forced to consider industrial action even though there is little stomach *for a fight in most of* the steel unions.

Mr. Les Dixon, Amalgamated Union of Engineering Workers' representative on the National Craftsmen's Co-ordinating Committee, which handles the craftsmen's pay negotiations with BSC, said yesterday that the Corporation's threat to go back to the old offer was "bad industrial relations, provocative and stupid."

He said: "They are only trying to do this to show to the public *that they are attempting to do* something about the BSC problem. It's a huge confidence trick."

Large-scale rail cuts ruled out by Minister

BY OUR LABOUR STAFF

MR. WILLIAM RODGERS, Secretary for Transport, reassured rail union leaders yesterday that the Government rejected "any notion of major cuts in the rail network" and accepted that continuing support was essential.

Mr. Rodgers was addressing *the full executive of the National* Union of Railwaymen at its headquarters in Euston in response to a union invitation for talks on the future of the railways as the new Transport Bill makes its way through Parliament.

The Bill includes an allocation of £3bn. over the next few years to support the passenger service and a £50m. annual grant from this year to help finance new passenger service infrastructure.

Mr. Sid Weighell, general secretary of the NUR said that recent transport policy had been moving in the right direction although it fell short of meeting all the union's demands.

More members for NALGO

MORE THAN 26,000 workers joined the National and Local Government Officers' Association, Britain's fourth-largest trade union, in the past year, taking its membership to 700,...

Women made up 21,000 of the recruits, bringing the total number of women members to 318,822.

Delay threat to new phones

BY PAULINE CLARK, LABOUR STAFF

INDUSTRIAL ACTION by Post *Office engineers* for a 35-hour week, a demand increasingly *being taken up by unions* as a means of combating high unemployment, is likely to obstruct work on new telephone exchanges and switchboards at least until June.

The action by members of the *125,000-strong Post* Office Engineering Union has been going on for about three months as a result of a union conference decision last summer.

But because of the Government's insistence that agreements on shorter hours must be regarded as cash in pay settlements a solution to the engineers' claim was said by the union yesterday to be unlikely before the union's conference reassembled in June.

The issue of the shorter work*ing week is expected to be high* on the agenda when Ministers start talks after the April Budget on what should follow present pay policy after July.

The union said a special conference in January had decided *to abandon* for the *time* being a plan to finance a reduction of the working week from 40 hours to 35 hours through a self-financing productivity deal.

Negotiations on the union's claims were continuing "all the time," and the demand for a *shorter week would be included* in the normal annual wage *negotiations.* The outcome would be put to the June conference before the settlement date the following month.

The Post Office said there was mounting concern about the 13,000 customers and 200 telephone *projects* affected by the dispute.

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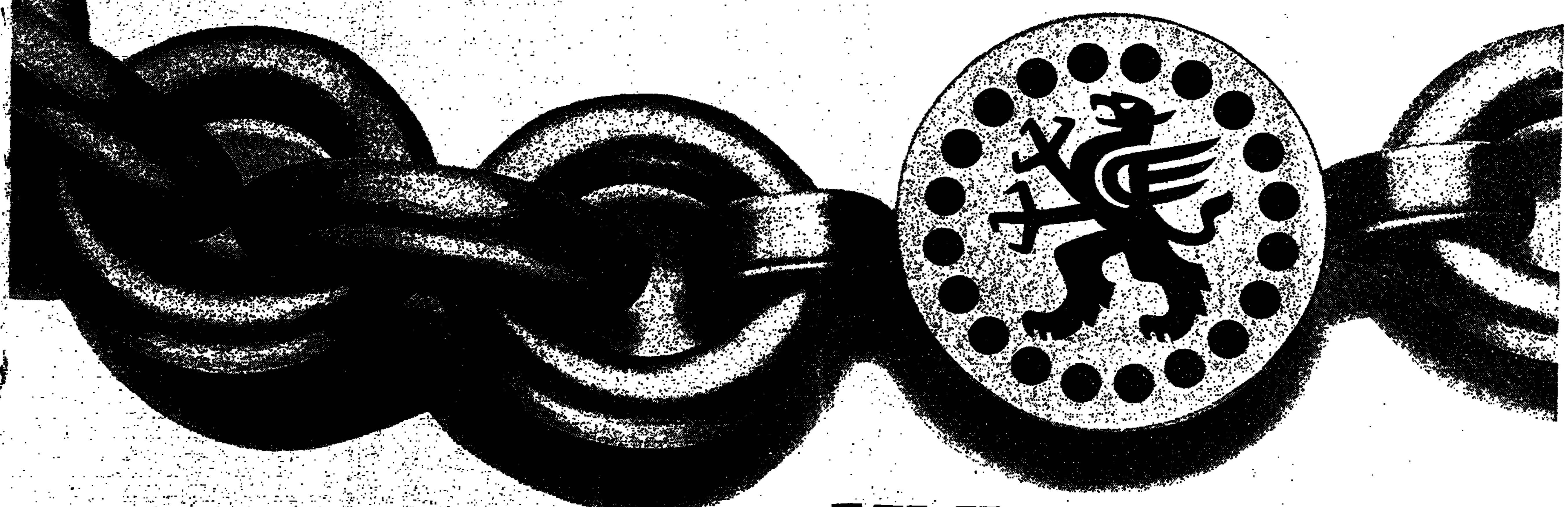

Midland Bank

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Sheldon warns on Tory promises to 'axe taxes'

BY IVOR OWEN, PARLIAMENTARY STAFF

SOME OF the tax cutting options now under consideration by the Chancellor as he prepares for his April Budget were outlined in guarded terms by Mr. Robert Sheldon, Financial Secretary to thet Treasury, in the Commons last night.

Among the possibilities he discussed were a cut in the basic rate of income tax, an increase in personal allowances and the introduction of a reduced rate tax band.

Mr. Sheldon was speaking in a debate which ended with an Opposition motion condemning the Government for raising excessive amounts in taxation and calling for a substantial and continuing reduction in the burden of direct taxation, in preference to an increase in public expenditure, being defeated by 274 votes to 248. Government majority 26.

An amendment welcoming the start made in reducing levels of direct taxation and commending the success in controlling inflation and restoring financial stability was carried by 275 votes to 247. Goverment majority 28.

The Financial Secretary came closest to a positive conclusion when he pointed out that the hgiher rate band was the only element in the income-tax system which was truly progressive.

He said that a cut in the basic rate would have particular appeal to those whose earnings were in the £7,000 to £8,000 range. The outstanding advantage of an increase in personal allowances was that it would have the effect of removing large numbers of people from the tax net altogether. It also permitted discrimination between married and single taxpayers.

Mr. Sheldon stressed that a reduced rate tax band would remove no one from tax and would give the most benefit to single people and working wives. Those a little higher up the incomes scale would be the main beneficiaries compared with the results produced by an increase in personal allowances.

In a reference to corporation tax, he underlined the effect of the stock appreciation scheme in lowering the contribution which this source made to general taxation. "The only sensible solution is to get the stock appreciation scheme on to a long term footing as soon as possible."

The Financial Secretary warned that past experience of policies pursued by earlier Conservative Governments showed that it would be unwise to expect great results from the recent declaration by Mrs. Margaret Thatcher, the Opposition leader, that the next Conservative Government would "axe taxes."

He recalled the expansive predictions made about the benefits which the British economy would derive from the raising of the surtax threshold from £2,000 to £5,000 a year in 1961. This had been "axing taxes" in an extreme form, yet three years later the country faced great economic difficulties.

A similar result had followed the decision of the Heath Government to introduce a unified tax system. The economic position, far from improving, worsened with rising levels of inflation and the then Prime Minister had gone to the City of London to complain about the low rate of investment.

Mr. Sheldon was also critical of the Conservative Party's intention, stated in the policy document "The Right Approach," to encourage the Bank of England to play a more independent role. This brought recollections he said, of the pre-war activities of Sir Montague Norman and aroused fears of policies leading to heavy deflation and heavy cuts in public expenditure.

Reliance on such policies would almost inevitably lead to a collapse of business confidence and have consequences for the economy and for society which would be unacceptable, he declared.

For the Conservatives, Mr. Peter Rees said that Government promises to reduce direct taxation had not been met. The basic rate had been reduced by 1 per cent, but personal allowances were worth less than they were in 1973.

With the exception of Denmark, Britain's system of direct taxation was the worst constructed, most ill-balanced and oppressive of any Common Market country.

Mr. Rees said he hoped Liberals would join the Tories in condemning the Government for failing to do anything to switch from direct to indirect taxation.

Ministers had resorted to the shabby expediency of taxing fringe benefits while leaving such glaring anomalies as free coal for miners. He warned the Government against introducing the wealth tax demanded by Left-wingers.

A wealth tax in the Irish Republic had been repealed after it had destroyed jobs and investment, and demoralised the country.

Looking forward to the Budget, Mr. Rees said it would be relatively cheap to reduce the highest rates of personal tax. Reducing the basic rate to 30 per cent. would cost only £1,810m.

He hoped the Government meant something with all its fine words, always heard in the run up to a Budget. But they sounded more like cheap electioneering.

The heady days of last autumn where everything seemed possible had passed, and the Government's Indian summer had been punctured by the January trade figures.

Lewis attacks 'hypocrisy'

Mr. Arthur Lewis (Lab., Newham NW) said that in more than 30 years as an MP he had witnessed every two or three months Ministers "coming here and swearing by God" that they had got it right, only to admit a few weeks later that inflation was still going up. They were all "bloody hypocrites."

It was hypocritical that Mr. Denis Healey, enjoyed housing, fuel and other allowances to the tune of £10,000 to £15,000 a year. "This is the same Chancellor who tells my firemen, my carpenters and my bricklayers that they cannot get two or three per cent. extra because it would be more than 10 per cent," he declared.

Mr. Lewis said both major parties were guilty of duplicity and double dealing. "People in the country are fed up to the high teeth with both political parties."

Pardoe sets out Liberal demands

TORY MPs and Labour backbenchers took a close interest in Budget proposals outlined by Mr. John Pardoe, Liberal spokesman on economic affairs, which, he insisted, owed nothing to secret information derived from discussions with Treasury Ministers under the Lib-Lab pact.

He advocated an immediate cut in the basic rate of income tax from 34p to 25p, and suggested that the major part of the cost — between £4bn. and £5bn. — should be met by a payroll tax based on the employer's National Insurance contribution.

Mr. Pardoe told critical Tories that it should be possible to convince leaders of industry that it would be in their interests to support such a scheme. Those who believed that income-tax was the greatest disincentive to the wealth-creating process in Britain should face up to the problem

Not all the burden need fall on industry, said Mr. Pardoe. The revalorisation of the duty on tobacco, cigarettes and drink but not on petrol, could bring in between £500m. and £600m. and the standardisation of VAT at 10 per cent., £700m. There was also scope for increasing the public sector borrowing requirement.

Mr. Pardoe urged that the phasing out of child tax allowance and the improvement of child benefit should be completed by April this year. He invited the TUC to confirm the view of Labour backbenchers that it was untrue that trade union opposition was forcing the Government to delay the completion of the phasing out process until April, 1979.

Mr. Denzil Davies, Treasury Minister of State, told the House that to increase the excise duties to keep pace with inflation in the last year would mean 1p on a pint of beer, which would add 0.2 per cent. to the retail price index.

Comparable increases on fortified wine and spirits would be 12p and 32p a bottle respectively. In each case, this would add per cent. to the RPI. An inflation-linked increase in the petrol duty would add 3p to the price of a gallon and increase the RPI by 0.1 per cent., while 4p would have to be added to the price of a packet of 20 cigarettes, which would produce a 0.4 per cent. increase in the RPI.

Mr. Davies explained that the revalorising of all these taxes would put about 1 per cent. on the RPI and raise about £400m. The unification of VAT at a standard rate of 10 per cent. would also raise the RPI by almost 1 per cent. and raise about £600m. in revenue.

"So at the cost of between 1½ per cent. and 2 per cent. on the RPI, it would be possible to reduce, for example, the basic rate of tax by about 2 per cent. Whether it is worth putting up prices by this amount in order to secure a cut in direct taxation is, of course, a matter of judgment."

The Minister complained that the sums produced by Mr. Pardoe did not add up, and suggested that the effect of the Liberal Party's proposals would be to inflate the public sector borrowing requirement by £3bn.

But he agreed that there was a case for reducing tax further in the coming fiscal year. As the Chancellor had already indicated, the Government accepted that both at the lower end and the higher end of the tax scale marginal rates were too high.

Neutron bomb: PM hits at Soviet propaganda

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

THE Prime Minister yesterday accused the Soviet Union of making propaganda out of America's development of the neutron bomb and using it as a cloak for the production of even more dangerous nuclear weapons of its own.

Mr. Callaghan urged Mr. Brezhnev, the Russian leader, to drop these tactics and to concentrate on drawing up serious proposals for the special disarmament session of the United Nations which takes place in New York in June.

His tough line emerged in reply to Mr. George Rodgers (Lab., Chorley), who demanded "that this gruesome weapon should be outlawed and denounced by both Western and Eastern powers."

Mr. Callaghan agreed that the neutron bomb, which destroys life but leaves buildings untouched, was fearful in itself. But, he emphasised, it was no more fearful than a number of weapons now being developed by the Soviet Union, in particular the intermediate nuclear missile, the SS20. We could not tackle this question merely from the point of view of a single weapon.

It was important that the world disarmament conference at the UN should take a broad view of all of these problems.

Mr. Richard Crawshaw (Lab., Toxteth) said that Mr. Callaghan's remarks would appeal to those interested in the defence of the country. He thought the neutron bomb would create such terror that war would be abolished from the face of the earth.

Mr. Callaghan told him: "The neutron bomb and its serious effects are being used by the Soviet Union as a propaganda cover in order to prevent discussion of some of the other serious weapons now being developed."

Emphasising that he was anxious to put his thoughts on record, he went on: "Mr. Brezhnev can help in this matter if, instead of focusing propaganda on the neutron bomb, he will enter into serious discussions at the UN, and elsewhere, on how we can best deal with some of the other weapons now being developed."

There was a formidable prospect facing the world. He did not want to see the world destroyed by our own terror, but nor did he want to see us succumb to someone else's terror.

On February 1, Britain had submitted to the UN a draft programme of action for an international agreement to curb armaments and the development of nuclear weapons.

This included proposals to prevent nuclear weapons being used against those who renounced them and also for confidence-building measures in Europe to be extended to other parts of the world. It pressed for a comprehensive test ban treaty to be agreed as quickly as possible.

"That is the kind of practical programme I want to put forward and discuss," said Mr. Callaghan.

Mr. Winston Churchill, a Conservative defence spokesman, pointed out that Russia's SS20 missile had a destructive potential thousands of times greater than the neutron bomb.

The Prime Minister replied that for once he found himself in agreement with Mr Churchill. The SS20 was far more dangerous than the neutron bomb and that was why we should not focus attention on a single weapon. There were weapons on both sides that must be dealt with by comprehensive disarmament discussions.

Call for more Ulster MPs

By Richard Evans, Lobby Editor

THE NUMBER of MPs representing Northern Ireland at Westminster should be increased from 12 to 17, according to the report of the Speaker's Conference on the electoral law published yesterday.

Mr. Callaghan told Mrs. Thatcher, Conservative leader, in a written Parliamentary reply that the Government was now considering the recommendations. He gave no clue on the Government's thinking.

The indications are that there is a chance of legislation later in the session but Mr. Callaghan will not want to rush. The prospect of legislation should be enough to prevent Ulster Unionist MPs opting for an early general election.

Redundancy payments for shipyard men backed

By John Hunt, Parliamentary Correspondent

THE controversial payment o[f] large redundancy sums to ship[-] yard workers at Swan Hunte[r] was defended last night by Lor[d] McCluskey the Governmen[t] spokesman on Industry and th[e] Treasury in the Lords.

Payments are to go ahea[d] despite the fact that the men[']s industrial action led to thei[r] share of the Polish ships orde[r] being diverted to other yards.

Lord McCluskey was speakin[g] in the Lords on the second rea[d-] ing of the Shipbuildin[g] (Redundancy Payments) Bi[ll] which provides for redundanc[y] payments of up to £10,000.

There had been complain[ts] outside the House that Sw[an] Hunter workers made redunda[nt] through their own industri[al] action were receiving the mone[y].

"I believe this proposition [in] this context to be quite misco[n-] ceived," he declared. "[Any] attempt to put such a princip[le] into effect would be unjust a[nd] quite incompatible in the ca[se] of Swan Hunter."

Justice could not be done [by] atempting a crude link betwe[en] redundancies and industr[ial] action. Experience showed [the] impossibility of apportioni[ng] blame in these cases.

There would be, for instan[ce,] the anomolous position [of] workers absent at the time o[f the] dispute.

On the international sce[ne] Lord McCluskey criticised ov[er-] production by Japanese sh[ip-] yards. While British shipbu[ild-] ing had been declining stead[ily,] in Japan it had grown qu[ite] enormously, out of all pro[por-] tion to world demand.

Last year Britain and ot[her] EEC countries had warn[ed] Japan of the serious overca[pa-] city that would result if [the] trend continued.

"It is distressing for us [to] face the consequences of a si[tua-] tion as serious as this, w[hen] we have had no hand in [it,]" Lord McCluskey said.

Commons succumbs to election fever

BY PHILIP RAWSTORNE

UNEMPLOYMENT induced a raging election fever in the Commons yesterday. Mr. James Callaghan and Mrs. Margaret Thatcher went into violent verbal paroxysms. MPs on both sides bayed at each other in delirium.

Politicians, it seems, now see nothing but votes in every set of Government statistics—immigration figures, trade balances, the retail price index and now the unemployment total. The country's patience is obviously going to be seriously tried by the recurrently high political temperature of the next eight months.

A flush on the cheeks of Rear-Admiral Morgan-Giles yesterday suggested that the Commons was due for another bout of the "Red Flu." But Mr. Callaghan, quick to recognise the symptoms, cooled that inflammation with a strong dose of anti-Brezhnevism.

Scarcely had that danger point passed, however, than Mr. Callaghan's mildly expressed satisfaction that some 39,000 more people had found jobs in the past month, aroused some frenzied convulsions.

Mrs. Thatcher sprang to the Despatch Box. Perhaps the Prime Minister would account for the fact that unemployment was still worse than in any major industrial competitor country, she snapped. That wasn't quite a fact, retorted Mr. Callaghan. "Not totally true."

Amid a roar of disbelief from the Tories, he said that unemployment in Britain had been consistently higher since the war than in Germany or France. "But since 1973, it has not got relatively worse," he declared.

The Tory leader, rising above the Labour jeers, insisted that it was worse than in the U.S., France, West Germany or Italy. "It is a grave reflection on your Government which appears to have no plans for putting it right," she said.

Wrong again, asserted Mr. Callaghan. No other country could boast such a series of employment protection measures—against all of which the Conservatives had voted.

Whichever way you looked at it, Mrs. Thatcher rejoined, other countries had done better. They had not been left with a runaway money supply. Mr. Callaghan shouted above the frenzied jibes. "We have now repaired the damage which you did," he told Mrs. Thatcher.

Pausing for the Tory chants of "8.4 per cent., 8.4 per cent," he added: "We shall go on repairing it and we shall ensure that the rate of inflation in no way approaches what it was when the Conservatives left office."

The Tories had gone in despair. Mr. Callaghan bellowed, warming to the frantic atmosphere of the hustings. Labour was rebuilding the country's financial stability and, he implied, would be quite content to stand on that platform in the general election.

Attack by Whitelaw sharpens race row

BY RUPERT CORNWELL, LOBBY STAFF

THE IMMIGRATION row sharpened last night as Mr. William Whitelaw, the Conservative Deputy leader, accused Mr. Merlyn Rees of abusing the office of Home Secretary by his "manufactured, artificial and thoroughly unjustified" onslaught against Mrs. Margaret Thatcher.

And the Opposition leader declared that she would not be bullied or intimidated into changing her views. She told a Press conference in Ilford that although she had only spoken three times on immigration, she had been "vilified" and treated to malicious attacks.

Mrs. Thatcher described the Home Secretary's charge in Oxford on Monday that she was making racial hatred respectable as "absolute nonsense," and vowed to stick clearly and staunchly to her views.

Replying to Mr. Rees's claim that her policies were akin to those of the National Front, she said: "I condemn the National Front. I hate everything for which they stand. I wish to make that perfectly clear."

However, it is Mr. Whitelaw's speech, also at a by-election meeting in Ilford, that can be taken as the official Tory riposte to the Home Secretary after the most savage attack yet by a senior Government Minister on Mrs. Thatcher's approach to immigration.

Meanwhile, the Prime Minister himself weighed in, in a message to Mrs. Tessa Jowell, the Labour candidate in the by-election. The doctrine being preached by some Tory leaders would result in conflict and confrontation, he said, when Labour was working to preserve Britain's tolerant society.

Healey defends sanctions

BY CHRISTIAN TYLER, LABOUR EDITOR

FURTHER explanation of the Government's controversial policy for imposing sanctions against companies breaking the pay guidelines came yesterday from Mr. Denis Healey, the Chancellor.

He said there was "a complete difference between threatening that which is unlawful and giving a warning that one will do something which is completely lawful."

Mr. Healey was replying to questions put to the Government by Sir Geoffrey Howe, shadow Chancellor, in the pay policy debate on Monday of last week.

Mr. Healey said that the recent statement of the Attorney General to the Appeal Court made it clear that it was not the Government's intention to apply pressure on employers to break contracts.

"That would be unlawful and would not achieve the Government's objective, since legal action could be taken to require the honouring of the contract."

The Attorney-General's court appearance resulted in Holliday Hall—a Croydon-based electrical contracting company—dropping its application for an injunction against the Electrical and Plumbing Trades Union. The union had made official a strike called to make the company honour the terms of the industry's January 1 pay agreement.

Halt to short-time work figures

THE GOVERNMENT will cease to publish figures for short-time working from the middle of next month, Mr. John Golding, Under-Secretary for Employment, said.

In a Commons written answer, Mr. Golding said the amount of short-time working had remained at a low level since mid-1976 and the estimates were no longer reliable.

From mid-February this year provisional figures indicated a total of 25,000 workers on short time. But this was based on reports from the regions covering all industries and services and was not of comparable accuracy to the regular monthly employment statistics, he said.

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Volvo 265GL. 6 cylinder fuel injection engine, leather upholstery, power steering, tailgate wash-wiper, tinted windows and metallic paint. £6,899.

Volvo 264GLE. Possesses every virtue of the GL, plus air-conditioning, electrically-operated windows and exterior mirrors, rear seat head rests and rear window blinds. £7,598.

Volvo 265GLE. As you'd expect, it has every feature of the GL model, together with air-conditioning, electric windows and electrically-operated exterior mirrors. £7,398.

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Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● DATA PROCESSING

Automated blast furnace project

REDCAR will be the site of one of the most ambitious projects to automate steel production when the new blast furnace at that centre goes into operation. With an output of up to 10,000 tonnes of liquid iron per day, the furnace will be one of the largest in Europe and form an essential part of the complex.

Operations will have extensive computer support with data logging and central control through a computer overseeing the blast *furnace plant, and linked with 12* plant processors at various points in the iron-making works.

Systems Designers has won the contract to provide software *and services in support of the* British Steel project and the job is worth £600,000.

The blast furnace plant computer will be a DEC 11-70 and it will continuously *monitor* and log performance, tracking *delivery of ore from pelletising* and sinter plants, delivery of coke from the coke plant and from stocks, and the movement of hot metal tapped continuously *from the furnace.*

Management information will be provided, together with visual displays of plant status, trends and production summaries on a shift.

Another important job will be the continuous monitoring of *thermocouples* within the furnace to give colour graphs of heat distribution within the structure.

Systems Designers will analyse the whole system and derive parameters and *design criteria.* It will implement a basic operational system when the furnace is first blown in and then develop the extended computer facilities, *finally* integrating and running acceptance of the full system.

System software will be written in the Government-promoted Coral 66 language.

The *furnace will operate* at a high production rate and a high top pressure so charging has to be fast and closely controlled and it is considered that the computers will provide vital support in achieving this.

Conveyor feed will be used and the molten iron taken to Lackenby for steel production in 320 tonne torpedo rail cars.

Further details of the software design work from Systems Designers at 57, High Street, Frimley, Surrey, GU16 5HJ. 0276 63471.

● SAFETY

Chemical hazards

NEW DRAFT regulations on chemical hazards are to be issued later this year with the purpose ultimately of establishing a notification scheme aimed at *identifying sites where major* hazards exist. This follows a recommendation of the First Report of the HSE's Advisory Committee on Major Hazards.

Because of the complexity of the issues, and the growing concern in the general public and *trades unions,* the question of working with hazardous chemicals is attracting a great deal of attention.

With this in mind, Harwell is to hold a seminar on "Major Chemical Hazards" this coming April. Representatives from *industry, the emergency services* and Government will attend and the discussion will be wide-ranging.

Papers to be presented will cover a general review of the situation, the social implications, management of major hazard plant, *legislation,* location, reliability and emergency procedures.

The venue is the Lorch Foundation, High Wycombe, Bucks on 26th and 27th of April. More from Mr. C. J. Preuveneers, Education and Training Centre, *Building* 455, Harwell, Oxon. Abingdon (0235) 24141.

Meanwhile, additions have been made to the Gastec series of gas detection units marketed by *D. A. Pitman.*

This is extremely simple, yet effective sampling equipment for the routine monitoring of hazardous gas concentrations, *consisting of a low-cost syringe-*type pump which draws an *accurately measured sample* of gas through an analyser tube.

While there are some 100 analyser *tubes already available,* important new introductions include one for acrylonitrile which measures down to 2 ppm, as well as tubes for methylene chloride *and chloroform.*

The company is also to introduce equipment for time weighted average measurements.

Further from D. A. Pitman, Mill Works, Jessamy Road, Weybridge, Surrey. Weybrdge 46327.

● POLLUTION

Traps the oil spills

AN OIL boom which was successful in saving the Norwegian coast from a major oil slick in last year's blow-out on platform Bravo in the North Sea Ekofisk *field, has been introduced* commercially.

Made by the Bergen-based A/S Nofi company, the equipment proved to be the only one of its *kind capable of operating in the* sea conditions prevailing over the oilfield at the time of the accident.

When efforts to contain the *spill with other equipment failed,* the new boom, which was still awaiting certification, was brought into use and, with its help, a two-kilometre long oil *slick was quickly contained.* The oil trapped within was removed *from the surface by a skimmer.*

The boom is of a "tennis net" design, designed to hang upright *in the sea to a depth of* about two metres. The nylon net is supported by inflated PVC buoys and backed to a depth of one metre by an opaque vinyl-coated skirt.

The successful performance of the new boom in heavy seas is *largely attributed to the use of* a high-strength, low elongation and low-weight cable made with Kevlar 29, Du Pont's aramid (aromatic polyamide) fibre, as "keel rope" *forming the base* of the net. This rope is subject to particularly high stresses when exposed to heavy ocean swells and to being towed behind 2600 h.p. *ocean-going vessels.* According to the manufacturers, two earlier prototype booms failed as the result of excessive weight imposed by iron chain and *steel hawsers used to maintain* the nets upright. The problem was solved by substituting a 60-ton break strength, eight-strand keel rope made with Kevlar weighted with lead sinks to provide the right degree of flotation.

This dramatically changed the handling characteristics of the boom, permitting a hitherto unattainable dynamic response to *wave movement.* As a result, water and oil were prevented *from crossing the free-board in* waves as high as three metres. The added flexibility permitted the skipper of *the towing vessel,* "Ibis Two," to employ purse-seining techniques, using powerful side thrusters to trap and hold the oil.

Du Pont, POB CH-129 Geneva 24, Switzerland.

● COMMUNICATIONS

Networks made easy

EMI TECHNOLOGY will be demonstrating for the first time in public its PIX remote computing facility at Communications 78 at the NEC in April.

PIX has been specifically *developed for IBM 360 and 370* users who need to link their central computer to remote *terminals in the most cost* effective way.

It embodies a unique concept which allows the operation of distant terminal devices as though they were *locally* attached to the host cpu and were utilising standard local software. The PIX concept effectively extends the multiplexer channel of the computer out to the remote site. It also allows one communications link to *support both conventional* RJE devices and display screens.

IBM 360/370 users of PIX can expand their communications network economically, EMI says, and establish new networks very simply.

EMI Technology on 01-890 1477.

● TRANSPORT

Controlling car parks

IN THE next decade or so many *drivers could well be using a* car-park control system developed by Godwin Warren Engineering, *a GKN company.*

According to the maker, the system sweeps away many of the disadvantages that affect most parking systems. It offers *fast getaway in place of* clogged exit lanes at peak parking times, fiddleproof cash collection and control instead of susceptibility to theft and vandalism, and greatly reduced operating costs.

Known as the Computerised *Automatic Parking System* (CAPS), it provides these boons, in essence, by reducing the time the driver spends at the ticket machines at the entry and exit *of the car park.*

Microprocessor controlled, the machine detects an approaching vehicle. It then checks the space in the park, and shows a "full" *sign* or issues a code punched ticket and releases the entry barrier. When leaving the park on foot the driver feeds the ticket to another machine which calculates and displays the parking fee, takes his money and *issues change and an exit receipt.*

The receipt is used at the exit barrier machine when driving out. If this ticket is valid the barrier is released—if not, the *motorist* either has to pay the displayed excess fee, or if he has *overstayed* both grace periods (correct fee and excess) he is returned to the pedestrian pay machine to update his ticket.

First installation, on a multi-storey car park at Poole Harbour has *proved sufficiently* successful to encourage the borough council to instal CAPS at a large central multi-storey car-park serving the needs of an Arndale *shopping centre by day and a* new arts centre by night.

More from the maker at Emery Road, Bristol, BS4 5PW (0272 778399).

● MATERIALS

Decorative plastics mirrors

WORKING IN co-operation with Rohm and Haas, manufacturer *of Oroglas acrylic mirror,* Chelsea Artisans has developed two complementary mirrored building products which, it is claimed, make the installation and fabrication of mirror *finishes* as simple and straightforward as working with conventional panel boards — *and as safe in use.*

Either 12mm melamine faced chipboard, or 18mm aluminium faced rigid polyurethane foam, are bonded to 3mm Oroglas mirror.

The mirror is a metallised acrylic said to have the reflective *properties of silvered glass plate,* but with half its weight, 20 times *its toughness,* and no danger of splintering. When laminated to chipboard or foam *it can be used for many* applications where the use of glass mirrors would be *impossible or* require highly skilled craftsmen to cut and fit.

Supplied in 8ft. x 4ft. sheets, the mirrors can be produced in a *range of tints, such as bronze,* grey and pink. Used for building applications it should be regarded as a combustible thermoplastic and must comply with Building Regulations 1972 for materials meeting BS 476 Pt.7:1971 Class 3 medium *flame* spread.

More from Chelsea Artisans, Unit 25, The Precinct, Hurst Park, West Molesey, Surrey (01-941 2828).

● PACKAGING

Prepacking scale

MADE IN the U.S. for the U.K. market, the top of a range of scales from Toledo is claimed to be a new *concept* in electronic weighing. An automatic prepacking scale, it has as an optional extra the *facility* to print labels with price per count, instead of price per weight.

Designated Model 8300, it is basically a microprocessor controlled scale-printer for use in food store preparation rooms, where heat seal retail tickets are attached to pre-wrapped trays of produce. The scale has price/lb selection to £9.99 and weighs to 30 lb.

Automatic tare, automatic pricing of commodities, and auto-tracking zero for *out-of-balance* conditions are all included. Weighing is by load cell instead of the conventional *springs,* which reduces maintenance. Readout is digital. "Sell by" dates are *included,* and cooking instructions and grading specification can also be printed on the label. *Automatic* labelling and wrapping machines can be added.

With this equipment an *operator* can deal with over 30 pre-wrapped packs / minute — weighed, price computed and labelled.

More from Toledo Scale, Fir Tree Lane, Groby, Leicester 0533 876435).

● WOODWORKING

Automatic sawmill

INCREASED TIMBER yield, faster production and greater sawing accuracy are the *claims* made for the "Woodergetics" automatic sawmill system developed by Kockums Industri AB. The company guarantees the operational capacity of its sawmills, *and* the dimensional accuracy of the sawn timber (to ±0.5 mm.).

Using a sawmill planning method and offering project *management,* the company first analyses factors such as log size and type, existing plant, labour supply and market requirements, before selecting and installing a *computer-controlled* saw line or complete sawmill for the best conversion process. Staff training services are also provided.

The sawmill equipment, which *can be supplied* separately, is designed in modular form, with *standardised* electrical wiring and hydraulic and pneumatic piping, to reduce installation time. It includes debarking, round-reducing, scanning and sorting *machines* and general handling equipment; circular saws, frame saws, bandsaws and electronic control systems for log sorting, saw setting, product sorting and trimming.

Details *from* the company's Forest Industries Division, Fack, S-826 01 Söderhamn, Sweden.

● MACHINE TOOLS

Fast simple turning

TO RELIEVE pressure on *fully* automatic machines, and in applications where large quantities of *simple* turned parts are required, a swing-arm automatic may provide a reasonably priced answer.

From Spain comes a series of these machines—three models on *one* basic frame size. They have round bar capacities of 25, 35 and 45 mm, with three spindle speeds available on each machine.

These automatics have two cam-operated swing arms for facing, chamfering or turning shoulders or *grooves.* For end working, there is a drill holder with a length stop. Maximum drilling depth is 50 mm. Parting off is carried out from a third cam-operated, vertical slide.

Typical components produced on this type of machine include nut blanks, grooved pins, bushes and spacers—items which it is *uneconomic to produce on com*plex expensive automatics.

Made by Iralag TA, the machines are marketed in the U.K. by Elgar Machine Tool Co, Bec *House,* Victoria Road, London NW10 6NY (01-965 8911), a member of the B. Elliott Group.

The Management Page

EDITED BY CHRISTOPHER LORENZ

How a Japanese company turned decision-making tradition upside down

By CHARLES SMITH in Tokyo

Ryuzo Sejima, deputy chairman of C. Itho (left) and Mitsuo Uemura, president of Sumitomo.

Japan's tenth largest concern, Ataka and Co., ly found itself on the f bankruptcy in late 1975 an oil supply contract ada had gone wrong its ank, Sumitomo, had to Ataka could only be Sumitomo decided, by with another giant trad- ern, big enough to carry s. Sumitomo asked its ter company, Sumitomo to do the necessary, out that, while absorb- a might be regarded as tic duty, it would also king on some profitable business in which the e defunct trading com- d specialised.

omo Shoji was asked on r 31, 1975 to consider or not it could take ka and to give its reply hree days. The reply. l in the middle of week-long New Year was that it would take to reach a decision on important matter be- take-over would affect every major depart- the company and every nt likely to be affected given a chance to ts views.

getting Sumitomo eply, Sumitomo Bank ed another giant trad- ern, C. Itoh and Co., same, but by now, even ent request. This time was almost instan- C. Itoh would absorb Ataka, but subject to certain conditions which would have to be discussed later.

The result was, of course, that C. Itoh did absorb Ataka—or rather that it took, in those parts of the dying company that it felt could be of use to it. By its rapid decision C. Itoh not only averted what could have become the most spectacular business catastrophe in post-war Japan, it also moved from being the fourth to the third largest Japanese trading company, pushing the aggressive and hitherto fast growing Marubeni Corporation into fourth place and leaving cautious Sumitomo Shoji where it had been before—in fifth position.

All this was possible for one simple reason: the existence inside C. Itoh of an elite decision-making team, which was able to make a prompt recommendation on the Ataka question by-passing the unwieldly "Ringi Seido" consultation system which major Japanese companies still use to make most of their decisions.

"Ringi Seido" (the words mean "consultation system") is usually regarded as one of the four pillars of the Japanese way of doing business (the others being the lifetime employment system, the method of promotion by seniority and the company union system). It means, in essence, that decisions "evolve" from the lowest echelon of a company's management rather than being handed down from the top. It also means that literally hundreds of people may have to be consulted, over a period of months, about a major decision—although, once they have been consulted and have agreed, implementation tends to be fast and efficient.

In a typical instance involving "Ringi Seido" in a trading company the 28- or 30-year-old junior executives of a section handling a specific product might draft a memo suggesting some course of action. This would be shown to the deputy section chief (kacho dairi) and section chief (kacho) of the same section, who would discuss and revise the memo before stamping it with their personal seals (the equivalent of initialling) and passing it up to the bucho (departmental chief). The bucho would repeat the process and then send the proposal up a stage further to the hon-bucho (divisional chief), whose business is not only to add his own comments and views but also to decide what other divisions of the company need to be consulted.

Having decided (if he is division chief of the steel division and the proposal involves, say, a credit sale to a developing country) that the finance section needs to have its views taken into account the hon-bucho will instruct his bucho to talk to an appropriate bucho in the finance division and report back on the results of the consultation. If the consultations with finance end in disagreement or deadlock this fact will be reported back up to the divisional chief (hon-bucho), who will then be expected to tackle the problem himself with his opposite number, the divisional chief of finance.

Consultation at this level of the management hierarchy represents the crucial phase of the decision-making process and depends for its success to a great extent on whether the men concerned are graduates of the same university and joined the company in the same year.

If they agree on a policy recommendation to be submitted to the Board of Directors the Board will normally give what amounts to a rubber stamp approval and implementation will get under way immediately. If they disagree, the Board will normally appeal to them to have another go at resolving their differences—most Japanese Boards of Directors being exceedingly reluctant to do anything so controversial as to take sides between two divisional chiefs.

The Ringi system can take up to six months where a really major issue is involved, with conferences lasting for a week or two at each of the main echelons (and with plenty of after-hours drinking among the men concerned).

C. Itoh's "secret weapon" for fast decision-making at the time of the Ataka affair took the form of a special "strategic planning" team grouped round a former Japanese Army staff officer which reported direct to the chairman and had enough prestige throughout the company for its recommendations to carry considerable weight. The group, informally known as the "Sejima Organisation" (Sejima Kikan), seems, deliberately or otherwise, to have revived some of the planning and decision-making techniques used during the Second World War. It has lapsed with the promotion of its founder to the post of vice-chairman (in itself a remarkable achievement, sinced Mr. Sejima only joined C. Itoh at the age of 46, after returning from a post-war prison spell in Siberia).

Other companies not blessed with top flight former staff officers as super-decision makers have been slower to depart from traditional procedures. But the stresses and strains of making a living in the harsh economic conditions that surround Japan are producing a good deal of experimentation with traditional ways and the innovators now include the conservatively minded Sumitomo Shoji.

After Mr. Mitsuo Uemura took over last summer as Sumitomo's new president the company decided to establish a "Kambukai" or top executive's group which would be given authority to take decisions on urgent or sensitive issues, by-passing the normal Ringi Seido. The Kambukai, which meets twice a month for "regular sessions," but can summon itself for as many "irregular sessions" as it wants, consists of Mr. Uemura himself, the chairman and honorary chairman of the company and two executive vice-presidents. The issues which are taken up by it, apart from top staff appointments, include major business decisions (such as whether or not to go ahead with a Mexican railway project) and semi-political issues like whether and how to get involved with the Government's plans for "artificially" stimulating imports from Europe and the U.S.

The Kambukai takes a few days instead of a few months to lay down general policy lines, the details of which are filled in by the lower echelons. It works because Mr. Uemura brought his new broom to work at a time when external conditions obviously demanded change and because the idea had the support of honorary chairman Tsuda, a man who wields strong moral influence in the company, though no longer any executive power.

The Sumitomo approach to speeded-up decision-making has parallels elsewhere in the trading company world—though not exact ones because each of the top companies has its own traditions, and its own dominant individuals to reckon with. The end result of the reforms that are being introduced seems likely to be a combination of the traditional slow but sure consensus-seeking system with a commando-style approach to the tougher and more urgent issues. If it works Japanese trading companies, which already have what is possibly the world's best intelligence gathering system, may eventually have one of its best decision-making systems as well.

65 PENSIONS and BENEFITS

The best way to an employee's heart

BY ERIC SHORT

MY marches on its is a maxim attributed on. To bring this up- could be said that a will perform more if it is adequately fed. more employers are ught to the ways in efficiency, health and f their staff can be and one method is to em with a free or h. But there is more an welfare—it is also f boosting the overall ion of employees. l that lunch facilities available to all on the premises, then er can claim the cost ess expense for tax And the employee t taxed on the value l. The employer can he dining room faci- so wishes — execu- le management and with different menus ining room, without he tax position. But on of meals must be general, it cannot be selective to any large extent. However, meals can be provided at head office and not at branch offices (again without affecting the tax position).

The tax advantages to the employee are considerable. Any meals bought outside are paid for out of taxed income and even modest provision would cost at least £2.50 net a week. If the meal is free, and allowing 48 weeks' provision a year, it would be equivalent to paying an extra £180 a year on basic rates alone. For top management the extra is much more.

Such provision also ensures that employees get a meal at midday, thereby improving their efficiency during the afternoon. Further it means that time spent over lunch can be kept down. It avoids employees having to search around for meals outside the office or works—sometimes in inclement weather.

But employers need to have the space available for a dining room and the capital to instal modern kitchen facilities and utensils. Most large new office blocks now incorporate a dining room that can also be used as a conference room, cinema or concert hall. The whole operation should be professionally run, and if the food is indifferent the objective is defeated.

This is one area where the employee should be involved. Employees can take part in the administration, especially in planning menus and handling complaints.

Smaller companies, in general, would not be able to justify the capital outlay, even if the necessary space were available. Nevertheless, the arguments for providing midday lunch facilities still apply. One solution is to give luncheon vouchers for a certain amount each day thus enabling staff to buy their meals outside.

The scheme operated by Luncheon Vouchers Ltd. makes vouchers available to employers, arranges for certain restaurants to accept them and deals with the reimbursement. The vouchers are non-transferable and can only be used for payment of meals. But there are drawbacks to this scheme.

The first is that the staff still have to go outside the office or works to get food. The time-saving advantage of having a meal on the premises is lost. But even more of a disadvantage is the attitude taken by the Inland Revenue.

The employer can claim the cost of providing these vouchers as a normal business expense providing he gives them to everyone. But only the first 15p a day of the voucher is allowed free of tax to the employee. Any daily amount provided above this level is taxed as income. What is more, this value has been kept at the same level since 1948. Then 3s. would buy a reasonably priced meal, now it does not cover the cost of a cup of coffee.

The Revenue has steadfastly ignored all pleas to revalue this limit at a realistic value. The standard answer given in Parliament to requests for uprating is that this concession was never intended to enable employers to provide a daily meal for employees—an evasive answer if ever there was one.

The problem is that these vouchers can be used as cash, unlike free lunches which are not marketable by the employee. Although vouchers are supposed to be non-transferable and only accepted for meals, it is easy to sell them to others for cash and many employees use them for grocery purchases. Many grocery shops provide restaurant facilities which accept luncheon vouchers.

Luncheon Vouchers admits that there is abuse, in spite of its precautions. Its inspectors regularly check up on shops. Presumably the Revenue is quite content to let inflation whittle away this benefit. Nevertheless, this attitude is illogical vis-a-vis the provision of free lunches and the equivalent tax level for this benefit in France and Belgium is about 58p—still low, but much higher than the U.K.

But despite these disadvantages, Luncheon Vouchers claims that about 35,000 employers—large and small—use its scheme. But it would appear that it is not used to provide good benefits. The employment agency Alfred Marks makes an annual survey of fringe benefits provision for office staff. In the 1976 survey, 61 per cent. of employers in the sample provided luncheon vouchers for their staff, but the level of provision was low.

Daily value of voucher	% of employers giving this value
15p or less	44
16-20p	1
21-25p	14
26-30p	27
over 30p	14

When employers were asked what they considered to be a realistic daily value, the replies were a little higher.

Daily value	% support
15p	17
15p	2
20p	1
30p	15
40p	20
50p	43
over 50p	19

Either the majority of employers have little idea of what it costs to buy a meal, or else they provide vouchers simply because they always have done, but in the absence of any employee pressure, have rarely increased the daily amount paid. This is a messy situation that needs to be resolved. Either the tax level on vouchers should be brought to a realistic level and revalued once a year, or the tax concession should be scrapped altogether and in fairness "free lunches" should be taxed.

BUSINESS PROBLEM

BY OUR LEGAL STAFF

A rent review

The lease of a shop was created in 1971 for 14 years, at a rent of £1,250 for the first seven years, that for the second seven years to be agreed. Is there any restriction on the amount the rent can be increased, which is indicated to be by £2,750? The lease gives the option of the right to an arbitrator, appointed by the Institute of Architects. What is the procedure for taking up this option.?

There is no restriction on the amount to which a rent may be raised on a review for which the lease provides. However the precise terms of the lease need to be studied to ascertain whether the lessor has the power to implement the review, and whether he has done so in accordance with the terms of the lease. The provisions for arbitration also need to be complied with as specified in the lease. If in doubt you should consult a solicitor.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

LOMBARD

An unwelcome form of redistribution

BY JOHN CHERRINGTON

ABOUT 20 years ago I was in hospital facing what I was convinced was a miserable end. As is usual at such times my sins of commission and omission came to mind, and among the items on this depressing agenda was the fact that I had made no provisions for the payment of Death Duties as they were then popularly called. Although as a farmer my heirs should have gained the 45 per cent. relief allowed, they would still have had to put themselves to quite serious inconvenience to have held on to my land.

Short spasm

At first I was galvanised into positive action summoning lawyer and accountant to my bedside, and trying by some abstruse but legal manipulation of the Finance Acts, to repair the consequences of my dilatoriness before it was too late. The spasm lasted but a short while and was overtaken by the realisation that whoever had to pay my Estate Duties it would not be me. I relaxed, did nothing and recovered.

This situation faces the owners of any business whose assets, be they shops, farms, factories or whatever, are so valuable as to make the satisfying of the capital gains or capital transfer taxes on them a burden which the owners' successors would be unable to bear. This leads to the breakup or actual destruction or the sale of the enterprise well before death, either to corporate businesses or institutions such as investment trusts or pension funds none of which pay capital taxes.

This situation is universally deplored by those affected and their families, as an inhibiting fact in the development of free enterprise—that is, they are going to become poorer. But it has been supported by both political parties over the years. The left look on it as a redistribution of wealth and the Right as a source of taxation from a small section of the community, the rich or the dead, which has no electoral significance.

People in the middle, the vast majority with little in the way of capital probably feel, as I have always done, that there is no good reason for anyone to be born with silver spoons in their mouths, whether they take the form of land, factories, shops, productive assets of any sort, or even stocks and shares. This undoubtedly is envy but as a motive force in human affairs envy can easily be used to generate progress.

Envy is, of course, one of the seven deadly sins but I have always thought that whoever generated that catalogue of evils had a vested interest in the perpetuation of acquired or inherited wealth from whatever source. Its protagonists will claim that simply by virtue of inheritance the dynamic of the original accumulator will be passed on to his heirs for ever more. Only then, it is implied by almost every one concerned, can continuity be guaranteed and the enterprise flourish.

But almost any study of the subject underlines the fact that whatever qualities pass by inheritance the ability to improve or even maintain the dynamic of a business is seldom one of them. Most inheritors, it seems to me, regard their progenitors' success as the basis for a life pension, something of which no serious person could approve.

Redistribution of wealth has been going on for generations. There have been varying agencies, the consequences of war, of slump, of the owners' foolishnesses, but only in this century by deliberate legislation. If it hadn't been for these varying factors we could still have been stuck with past rigidities.

Dynamism

There is no doubt that the inter-war depression and the effects of estate duties decimated the landowners of Britain and opened the way for very large numbers of individuals whose dynamism, helped by better times since the last war, transformed farming. In the same way, no doubt, other businesses with new owners flourished as well. This has been splendid and, however hard on the original owners, all to the common good. If there was a certainty of this repeating itself, no one should grumble.

But it doesn't look as though it will. The new owners of these assets are corporations or the State which will inescapably assume responsibility for a wider and wider spectrum of the economy. These organisations are not like the old fashioned tycoon, mortal. Nothing will ever shift them. They simply become self perpetuating bureaucracies, with very little to choose between them. I don't pretend to know what can be done about it but it will probably mean an end of individual enterprise.

Those easily forgotten forget-me-nots

GARDENS TO-DAY

BY ROBIN LANE FOX

WHICH ARE the worthwhile jobs which gardeners are most likely to forget? There are three, in particular, which catch me unawares. One is the sowing of seeds of biennials for next year, the Forget-me-nots, Sweet Williams and so forth. This should be done early, preferably in April or early May before the existing plants have flowered. Another is the moving or planting of Snowdrops, a job best done while the bulbs still show green leaves. Move them, then, in March, if the ground has thawed. If you intend to buy new Snowdrops for next year, try to hunt them out from a nursery in the next few weeks. Bulbs bought in pots may seem more expensive but many more will live than from a mass offer of dried up stock in an autumn catalogue.

My third neglected job is the most enticing. Like it or not, January and February are the months in which to be busy with lilies. If you have a warm greenhouse, you should bother Suttons of Reading for seeds of the remarkable lily Formosanum. Sown now, this lily will come up quickly and easily and bear one scented white trumpet to each bulb in this year's July. A lily which flowers as an annual, about two feet high, is so good that we must stop the seedsmen from dropping it from their lists. Those who prefer small bulbs should apply to Unwins of Histon, near Cambridge, for a small variety of Formosanum which crops up most years in their list. Sold as Little Snow White, it is a foot high and equally large-flowered. It would make a spectacular summer edging-plant, massed in clumps in the front of a border, if you think about it for a moment. I have never seen it used boldly.

Formosanum is an oddity, however. Other lilies are sold, quite rightly, as bulbs and at this time of year and this moment in the market, there is no point in complaining that the stock would be better bought while still in green growth in the autumn. Hardly a nursery now bothers to supply it in that way. We have to buy imported Dutch and Japanese stock, bulbs which have usually sat in a box for three or four months. Lilies, unfortunately, are never dormant. When we buy them, their basal roots are dry and probably battered. If you have bought them recently and have not yet been able to plant them because of the frosts, it is most important, then, that you should bed them into boxes of damp peat so that their roots are not left out of the ground for too long. Plant them as soon as they have flowered.

Which, though, are the best, not only in that famous first year after which so many of the most exciting varieties tend to dwindle away? Much depends on your soil.

If you garden on a clay or heavy soil, all varieties which are listed as "stem-rooting" are likely to be bad value. These are the bulbs which like to be placed rather deeply so that they can send roots down from the base of their bulbs and sideways, too, from their stems, in the length of stem which thrusts up to the soil-surface and the daylight. These are the lilies which like to be top-dressed with light leaf-mould into which their stems will often throw more roots. Deep planting is not, of course, a happy matter on heavy, slow-draining soils. Stem-roots are lured out more easily by light, porous humus. Hence heavy gardens are better suited with lilies which root from the base.

On the whole, these are the cheapest and easiest. Regale is the obvious first choice, a lily of which no garden can have too many. For scent alone, this is the one essential buy in the family, tough, easy and readily raised from seed. With a scent of a far less pleasant kind, the Martagon lilies are not everybody's friends. But despite the foxy air to their reflexed Turks Cap flowers, I favour them because they grow so reliably. They are happy on lime and have actually run wild in parts of Britain. You should not bother with the ordinary Martagon, I think, because there are two varieties which are so much better than its purplish-pink style. The first is the white Martagon Album whose reflexed flowers on stems up to four feet high are beautifully set off by their orange-yellow anthers, protruding like antennae. The second is lovely but more sombre, the unspotted wine-purple one sold either as Dalmaticum or Cattaniae. There is no other flower with a colour quite like this. Matched with the white, it is most distinctive, if you are able to ignore the smell.

The Madonna Lily, the pure white one, is temperamental. Either it refuses to grow at all, or else it multiplies abundantly, for no obvious reason. Often, it is happy in a heavy soil, so it is always worth a try. The less well-known Nankeen Lily, L. Testaceum, is not so cheap, but on these unfavourable soils I have found it to be excellent. Oddly, it is a hybrid. Its flowers are very similar in shape to the Madonna's, but as long as the bulbs are not on poor soil or in a cold place, they will appear more reliably. It need only be planted two or three inches deep. It is worth the money, because its colour is a pale apricot-yellow, the sort of colour which you might otherwise only find in silk. The petals bend back as they age, dying as a fully-recurved Turk's Cap. I rate it very highly.

On light lime soils, there is none better than Henryi, one of those lilies which will, I suspect, grow anywhere, although it tends to root from the stem. It is still absurdly cheap. If you want a good show of orange flowers on tall stems which you can be bothered to stake in late summer, this is as essential a lily as the scented Regale. It smells neither pleasantly nor poorly but will bear more than 20 of its orange recurved flowers on one stem. Every border is the better for it, and it multiplies yearly, as tough as an old iris. It must, however, be planted more deeply, some six inches between the top of the bulb and the surface. It is one of the brightest answers to beliefs that all the tall lilies dislike lime. I suspect it would oblige you in clay too: next week, I shall look further afield to the exotic sorts for fortunate gardeners on peaty soils, available to us all if we can be bothered to plant them in the next ten days or so in clay pots.

Walter de la Mare letters fetch £2,400 at Sotheby's

SALEROOM

BY ANTONY THORNCROFT

ON MONDAY, Christie's had some problems disposing of Chinese export porcelain. Yesterday, Sotheby's had a much better sale which totalled £72,594, with less than 6 per cent. bought in.

The top price was the £4,200 from Hoeg, the London dealer, for a pair of Ch'ien Lung "Compagnie-des-Indes" water-buffalo tureens and covers which had been restored.

Other items to sell well were a pair of Ch'ien Lung figures of court ladies, acquired by Mrs. Glatz, another London dealer, and a pair of "famille verte" jardinieres, K'ang Hsi. Both lots fetched £2,500.

The second day of a Sotheby's autograph letters and historical documents sale added £19,417. Maggs gave £2,400 for a series of more than 200 letters from Walter de la Mare.

Quaritch bought six autograph manuscripts of Cavafy poems for £600 and Miss Myers 20 John Masefield letters for £580. An extensive archive of manuscripts and typescripts, etc., by Michael and Mollie Hardwick, referring to Upstairs Downstairs and other recent books went for £440.

The Sotheby print sale totalled £72,155. Fourteen volumes of the works of Battista and Piranesi made £2,000, and a Durer engraving, Knight, Death and Devil, fetched £1,900. Among the modern prints, a Toulouse-Lautrec lithograph sold for £1,400.

A diamond collar necklace made the top price of £18,000 in a Phillips jewellery sale which totalled £135,200. The buyer was a dealer, Moussaieff. Rolenburg paid £12,000 for a ruby and diamond clip by Cartier.

A Phillips sale of lead soldiers and models totalled £20,500. An American collector, Schenck, paid £260 for a 12-man band of the Horse Guards, which cost 5s. in 1920's from the toy company of William Britain.

Miniatures, objects of vertu and Russian works of art totalled £27,126 in a sale yesterday at Christie's.

Koopman, the London dealer, paid the top price of £1,050 for a late 19th-century Viennese octagonal silver gilt and enamel platter, measuring 12½ inches overall. The surface is divided into nine panels, each brightly painted with scenes featuring the goddess Diana.

A Viennese silver-gilt and enamelled nef on wheels, the stern, hull and sail painted with scenes from classical mythology, sold for £980 to Montanaro.

A cylindrical ivory counterbox—including 26 counters each bearing a letter of the alphabet—went to Temperley, the London book dealer, at £950.

A morning sale of Old Master and 19th-century Continental drawings at Christie's totalled £15,306.

An afternoon sale of Old Masters and 19-th century Continental drawings totalled £43,700, making a total for the day of £59,006. The top three lots all went to anonymous bidders. A view of Mont Blanc and surrounding mountains by Jean Antoine Linck made £3,800 while a watercolour of a winter landscape with skaters on a river, signed and dated 1806 by Abraham Teerlink, fetched £3,000.

● Titania's Palace, regarded as the finest doll's house in the world, has been bought by Lego-land, of Denmark, it was revealed yesterday. Spink and Son paid £135,000 for the palace on the Danish group's behalf when it was auctioned at Christie's on January 10.

● An anonymous donor has promised trustees of Dove Cottage, the Wordsworth museum and library in Grasmere, enough money to buy the Wordsworth and Coleridge manuscripts that Cornell University, U.S., has acquired in Britain.

England B side hold out to beat West Germans

SOCCER

BY TREVOR BAILEY

AUGSBURG, FEB. 21

ENGLAND B beat West Germany B 2—1 in a match which was far better than might have been expected in the wintry conditions.

A red, phosphorescent ball, looking like a toy balloon, the black tights and mittens worn by many of the German side and ball-boys in danger of disappearing in the heaped snow surrounding the white pitch gave an unusual look to the occasion. England had every right to be well pleased with this hard-won victory over a team which possessed a shade more technical skill.

There was little to choose between the two sides in the first half in terms of effectiveness in testing conditions, although the ball did slide smoothly over the surface.

The Germans showed more ideas but were unable to make much impression on a compact England back four, in which Thompson covered well and Needham was highly dependable. Up front Flanagan and Mariner formed a lively spearhead.

England's best chance came when Flanagan received a fine through ball from Kennedy, who had seemed rather out of his depth. The Charlton striker shot wide with only the keeper to beat. Needham also went close with a fine header following a corner.

At the other end Corrigan made a good save from Worm, who had come on as substitute, and did well diving at the feet of Seel. The defence also charged down some threatening shots. At half-time it might be said that the two protagonists were about level on points, with England losing a little in midfield, where Bongartz caught the eye.

After the interval the game really came alive. In the 51st minute McDermott scored with a splendid left-foot drive after the ball had run loose and he had held off a tackle. England's elation was short-lived. Two minutes later Worm equalised after Thompson, for once, erred as he tried to pass the ball back to Corrigan and slipped.

England regained the lead with a move started by Mortimer. Hill twice almost lost possession, but eventually found Kennedy clear on the left wing, and from his accurate centre Fairclough headed home.

For a short time England were much in the ascendant. But the West Germans launched a series of spirited attacks which really deserved another goal.

Worm missed an easy header chance only a few yards from which Corrigan just managed to tip on to the bar, and he had another chance after Corrigan had pushed out a powerful shot from long range.

With England's defence under constant pressure Mr. Bobby Robson brought on Sunderland and Owen to replace Flanagan who had sustained a knock, and Hill, with the formation reverting from 4-2-4 to 4-3-3.

This switch provided England with two fine opportunities. First Fairclough shot wide in front of goal after Mariner had headed a long throw-in, then Sunderland broke clear with a strong dribble but was unable to beat the keeper with a good attempt. The final whistle went with the Germans still pressing for an equaliser, which would not come.

Thompson had an outstanding game and Needham proved highly efficient as his partner in defence. Gidman showed class, and Mariner led the forward line with great spirit and enthusiasm. All in all, it was a highly satisfactory performance, and a good start to England's campaign to regain top place in world football.

Hopes high for Hastings-Bass

RACING

BY DOMINIC WIGAN

NO MORE successful flying start, middle and finish came out of last season than for William Hastings-Bass, and yesterday when I called in on him at rain-swept Newmarket, it was to find that things could be even better this year.

His compact Marriott stables, leased from the Jockey Club, now house some 60 horses—almost three times as many as when he set out on his training career at the start of last season.

Fifty two-year-olds, a good many of whom Hastings-Bass and his owners had to secure in last autumn's buoyant and prohibitive yearling market, are backed by a team of ten older horses which include Sailcloth, Better Blessed, and newcomer Rymer.

Although freezing conditions had brought even light work to a halt for almost a fortnight when the weather broke to allow cantering yesterday, Hastings-Bass is hopeful that we may see one or two early juveniles winning for his Hamilton Road establishment.

Two who caught my eye as we walked round the primarily "American barn" type stables, which suffered worse than most in the district when a freak tornado hit Newmarket last month, were a Queens Hussar colt named Sky Rider and Luna Nueva (New Moon, in Spanish), a daughter of Galivanter.

Sky Rider, owned, like Manchester Handicap winner Sailcloth, by the Queen's racing manager, Lord Porchester, is closely related to that high-class sprinter of a few years back, the Portland winner Matt[...]

The Queen, who announced through Lord Porchester that she would be sending horses to Hastings-Bass this term, has more stoutly bred juveniles, Manushi and Contralto.

Although it rarely pays to follow older horses who have not shown their best form for over a year, I would not care to ignore Rymer.

Extra £50,000 at Queen's Club

TENNIS

BY JOHN BARRETT

THE RAWLINGS International, the £72,000 Grand Prix tournament to be held at Queen's Club, London, from June 19 to 24, the week before Wimbledon, will offer an extra £50,000 incentive to the men taking part in the two-week competition.

The amount will be an additional prize for the Rawlings winner if he is also successful at Wimbledon.

Only five times since the war has the Queen's Club champion gone on to win Wimbledon. The last successful winner of this mid-season double was John Newcombe in 1967.

Another innovation at Queen's Club this year is that all matches will be played on grass courts regardless of the weather.

Previously, the five indoor wooden courts have been used when rain has prevented play outside. The players, who consider this tournament a warm-up for Wimbledon, are adament that the tournament should be played only on grass.

Only Wimbledon and the £90,000 Benson and Hedges Tournament, played at Wembley in November, will offer higher prize money for men during this year's British season.

The rewards at the Rawlings International increased from £55,000 last year will include a £9,770 prize to the singles winner and £3,664 to the successful doubles pair.

Already many of the leading men, including the Wimbledon champion Bjorn Borg (Sweden) and the Grand Prix bonus winner Guillermo Vilas (Argentina) have indicated that they will use this pre-Wimbledon week for practice on grass. The new cash inducement [...] change their minds.

TV/Radio

BBC 1

+ Indicates programme in black and white.

7.05-7.55 a.m. Open University. 9.15 For Schools, Colleges. 10.45 You and Me. 11.00 For Schools, Colleges. 12.45 p.m. News. 1.00 Pebble Mill. 1.45 Mister Men. 2.01 For Schools, Colleges. 3.53 Regional News for England (except London). 3.55 Play School (as BBC 2 11.00 a.m.). 4.20 Touché Turtle. 4.25 Jackanory. 4.40 Screen Test. 5.00 John Craven's Newsrounds. 5.15 Grange Hill. 5.35 Paddington.

5.40 News.
5.55 Nationwide (London and South-East only).
6.20 Nationwide.
+6.50 The Wednesday Film: "The Man Between" starring James Mason, Claire Bloom and Hildegarde Neff.
8.30 The Liver Birds.
9.00 News.
9.25 I Didn't Know You Cared.
9.55 Sportsnight.
11.10 Tonight.
11.50 Weather/Regional News.

All Regions as BBC 1 except at the following times:—

Wales — 2.18-2.38 p.m. For Schools (Hwnt ac Yma (7) Egnïi). 5.15-5.25 Bilidowcar. 5.55-6.20 Wales Today. 6.50 Heddiw. 7.10 Young Musicians of the Year. 7.40-8.30 The Rockford Files. 11.50 News and Weather for Wales.

Scotland—11.00-11.20 a.m. and 2.18-2.38 p.m. For Schools. 5.55-6.20 Reporting Scotland. 9.55-11.10 Sportscene. 11.50 News and Weather for Scotland.

Northern Ireland—3.53-3.55 p.m. Northern Ireland News. 5.55-6.20 Scene Around Six. 9.25-9.35 Spotlight on Northern Ireland affairs. 11.50 News and Weather for Northern Ireland.

England—5.55-6.20 p.m. Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth).

BBC 2

6.40-7.55 a.m. Open University.
10.20 Gharbar.
10.45 Parosi.
11.00 Play School.
4.55 p.m. Open University.
7.00 News on 2 headlines.
7.05 Workers on the Board?
7.30 Newsday.
8.10 Brass Tacks.
9.00 It's Patently Obvious.
9.30 Play of the Week.
10.25 Arena: Cinema.
11.00 The Light of Experience.
11.15 Late News on 2.
11.25-11.50 Music at Night by Arensky.

LONDON

9.30 a.m. Schools Programmes. 12.00 Cloppa Castle. 12.10 p.m. Stepping Stones. 12.30 Sounds of Britain. 1.00 News plus FT index. 1.20 Help! 1.30 Crown Court. 2.00 After Noon. 2.25 Hadleigh. 3.20 Pain: Along With Nancy. 3.50 Couples. 4.20 Michael Bentine's Potty Time. 4.45 Pop Quest. 5.15 Emmerdale Farm.

5.45 News.
6.00 Thames at 6.
6.35 Crossroads.
7.00 This Is Your Life.
7.30 Coronation Street.
8.00 Looks Familiar.
8.30 ITV Playhouse.
10.00 News.
10.30 A Prime Minister on Prime Ministers.
11.00 Thomas Hardy—A Man Who Noticed Things.
12.00 Night Gallery.
12.25 a.m. Close: Neville Jason reads a psalm.

All IBA Regions as London except at the following times:

ANGLIA

1.25 p.m. Anglia News. 2.00 Houseparty. 5.15 Mr. and Mrs. 6.00 About Anglia. 12.00 Bryan Taylor. 12.30 a.m. The Big Question.

ATV

1.20 p.m. ATV Newsdesk. 5.15 Mr. and Mrs. 6.00 ATV Today. 10.30 Ladies' Night. 11.15 The Bullin's Grand Masters Darts Championship. 11.45 Police Surgeon.

BORDER

+1.20 p.m. Border News. 2.00 Houseparty. 5.15 Out of Town with Jack Hargreaves. 6.00 Lookaround Wednesday. 11.00 The Odd Couple. 11.30 The Bullin's Grand Masters Darts Championship. +12.00 Border News Summary.

CHANNEL

1.18 p.m. Channel Lunchtime News and What's On Where. 6.00 Channel News. 6.15 Dynomutt—the Dog Wonder. 10.28 Channel Late News. 10.32 Rising Damp. 11.00 A Prime Minister on Prime Ministers. 11.30 All Star Swing Festival. 12.25 a.m. Epilogue followed by News and Weather in French.

GRAMPIAN

9.25 a.m. First Thing. 1.20 p.m. Grampian News Headlines. 6.00 Grampian Today. 6.30 Police Newsroom. 12.00 Reflections.

GRANADA

1.20 p.m. This Is Your Right. 5.10 This Is Your Right (second chance to see Lord Winstanley's programme of advice to viewers). 5.15 Crossroads. 6.00 Granada Reports. 6.30 Happy Days. 11.00 The Untouchables. 11.45 George Hamilton IV.

HTV

1.20 p.m. Report West Headlines. 1.25 Report Wales Headlines. 2.00 Help Yourself. 5.15 Dodo the Space Kid. 5.20 Crossroads. 6.00 Report West. 6.15 Report Wales. 6.30 The First Robin Cousins. 11.00 Bless This House. 11.30 Celebrity Concert—Vikki Carr in concert with the Edmonton Symphony orchestra.

HTV Cymru/Wales—As HTV General Service except: 1.20-1.25 p.m. Penawdau Newyddion y Dydd. 4.20 Mr Maer. 4.30-4.45 Un Tro. 6.00-6.15 Y Dydd.

HTV West—As HTV General Service except: 1.20-1.30 p.m. Report West Headlines. 6.15-6.30 Report West.

SCOTTISH

+1.25 p.m. News and Road Report. 2.00 Women Only. 5.15 Pipe and Friends. 5.20 Crossroads. 6.00 Scotland Today. 6.30 Report. 10.30 Welcome to the Ceilidh. 11.00 Out of Town. 11.30 Late Call. 11.35 Police Woman.

SOUTHERN

1.20 p.m. Southern News. 2.00 Houseparty. 5.15 Betty Boop. 5.20 Crossroads. 6.00 Day by Day: Wednesday Extra. 11.00 Police Surgeon. 11.30 Southern News Extra. 11.40 Healthy Eating.

TYNE TEES

9.20 a.m. The Good Word followed by North East News Headlines. 1.20 p.m. North East News and Lookaround. 2.00 Women Only. 5.15 Happy Days. 6.00 Northern Life. 11.00 Bless This House. 11.30 Adams of Eagle Lake. 12.30 a.m. Epilogue.

ULSTER

1.20 p.m. Lunchtime. 4.18 Ulster News Headlines. 5.15 Dynomutt the Dog Wonder. 6.00 Ulster Television News. 6.05 Crossroads. 6.30 Reports. 11.00 Out of Town. 11.30 World Championship Darts. 12.00 Make It Count, followed by Bedtime.

WESTWARD

12.26 p.m. Gus Honeybun's Birthdays. 1.20 Westward News Headlines. 6.00 Westward Diary. 10.28 Westward Late News. 10.30 Rising Damp. 11.00 A Prime Minister on Prime Ministers. 11.30 All Star Swing Festival. 12.25 a.m. Faith for Life.

YORKSHIRE

1.20 p.m. Calendar News. 5.15 Mr. and Mrs. 6.00 Calendar (Emley Moor and Belmont editions). 11.00 Of Men and Women. 12.00 Moon Movies.

RADIO 1 247m

(S) Stereophonic broadcast

6.00 a.m. As Radio 2. 7.02 Noel Edmonds. 9.00 Simon Bates. 11.31 Paul Burnett including 12.30 p.m. Newsbeat. 2.00 Tony Blackburn. 4.31 Dave Lee Travis including 5.30 Newsbeat. 7.00 Sing Something Simple (S) (Radio 2). 7.30 As VHF. 10.02 John Peel (S). 12.00-12.05 a.m. As Radio 2.

VHF Radios 1 and 2—6.00 a.m. With Radio 2 including 1.55 p.m. Good Listening. 7.30 Listen to the Band with Charlie Chester (S). 8.15 Semprini Serenade (S). 9.02 Jimi part 5: Goons Hollywood. 9.55 Sports Desk. 10.02 With Radio 1. 12.00-12.05 a.m. With Radio 2.

RADIO 2 1,500m and VHF

6.00 a.m. News Summary. 6.02 Ray Moore with The Early Show (S) including 6.15 Pause for Thought. 7.32 David Allan (S) including 8.27 Racing Bulletin and 8.45 Pause for Thought. 10.02 Jimmy Young (S). 12.15 p.m. Waggoners' Walk. 12.30 Pete Murray's Open House (S) including 1.45 Sports Desk. 2.30 David Hamilton (S) including 2.45 and 3.45 Sports Desk. 4.30 Waggoners' Walk. 4.45 Sports Desk. 4.47 John Dunn (S) including 5.45 Sports Desk. 6.45 Sports Desk. 7.02 Sing Something Simple (S). 7.30 International Soccer Special: West Germany v. England plus news of the Scotland v. Bulgaria match. 9.55 Sports Desk. 10.02 The News Huddlines. 10.30 Hancock. 11.02 Brian Matthew with The Late Show. 12.00-12.05 a.m. News.

Radio 2 Scotland Only—7.30-8.00 p.m. With Radio 1 (1214kHz). 8.00-10.00 Sport-sound Special: Scotland v. Bulgaria.

RADIO 3 464m, Stereo & VHF

† Medium Wave only

†6.55 a.m. Weather. 7.00 News. 7.05 Your Midweek Choice, part 1 (S). 8.00 News. 8.05 Your Midweek Choice, part 2 (S). 9.00 News. 9.05 This Week's Composer: Glazunov (S). 9.55 Vierne (S). 10.35 Vidoni Trio (S). 11.40 Mid-day Concert, part 1 (S). 12.25 p.m. Words. 12.30 Mid-day Concert, part 2 (S). 1.00 News. 1.05 Concert Hall (S). 2.00 In Repertory: Benjamin Luxon discusses his repertoire (S). 3.00 The Exotic Sound of the Jew's Harp on record. 3.05 Ravel and Dvorak, concert (S). 4.05 Johann Rosenmüller, concert (S). 5.00 Building a Library of records (S). †5.45 Homeward Bound. †6.05 News. †6.10 Homeward Bound (continued). †6.30 Lifelines: Language and Communication. 7.30 BBC Manchester Masterconcert, part 1: Poulenc (S). 8.00 The Arts Worldwide. 8.20 BBC Manchester Masterconcert, part 2: Messiaen (S). 9.50 The Bugulma Tales. 10.30 Wolf on record. 10.40 Scientifically Speaking (talk by Professor J. Z. Young). 11.25 News. 11.30-11.35 And Tonight's Schubert Song on record.

Radio 3 VHF only—6.00-7.00 a.m. and 5.45-7.30 p.m. Open University.

RADIO 4

434m, 330m, 285m and VHF

6.15 a.m. News. 6.17 Farming Today. 6.35 Up to the Hour. 6.52 (VHF) Regional News. 7.00 News. 7.10 Today. 7.35 Up to the Hour (continued). 7.52 (VHF) Regional News. 8.00 News. 8.10 Today including news headlines, weather, papers, sport. 8.45 Yesterday in Parliament. 9.00 News. †9.05 The Living World. †9.35 My Dear Music. †10.00 News. †10.05 In Britain Now. 10.30 Daily Service. †10.45 Morning Story. †11.00 News. †11.05 You, The Jury. 12.00 News. 12.02 p.m. You And Yours. 12.27 What Do! Jeeves. †12.55 Weather, programme news. VHF (except London and SE) Regional News. 1.00 The World at One. 1.30 The Archers. 1.45 Woman's Hour (2 from 2.00) including 2.00-2.02 News. 2.45 Listen With Mother. 3.00 News. 3.05 Afternoon Theatre (S). 3.50 Choral Evensong. 4.35 Story Time. 5.00 PM Reports. 5.40 Serendipity. †5.55 Weather, programme news (VHF) Regional News. 6.00 News. 6.30 My Music (S). 7.00 News. 7.05 The Archers. 7.20 File on 4. 8.00 Lord Peter Wimsey. 8.30 Living in the Past: An Iron Age Experiment. 9.00 Science Now. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Round Europe Quiz. 11.00 A Book At Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 11.45 News.

For Schools (VHF only) 9.05 a.m.-12.00 and 2.00-3.00 p.m.

BBC Radio London

206m and 94.9 VHF

6.00 a.m. As Radio 2. 6.30 Rush Hour. 9.00 Holiday Scene. 9.20 London Live. 11.03 In Town. 12.03 p.m. Call In. 2.03 206 Showcase. 4.03 Home Run. 6.10 Look, Stop, Listen. 7.30 In Town. 8.30 In Concert. 10.03 Late Night London. 12.00-Close As Radio 2.

London Broadcasting

261m and 97.3 VHF

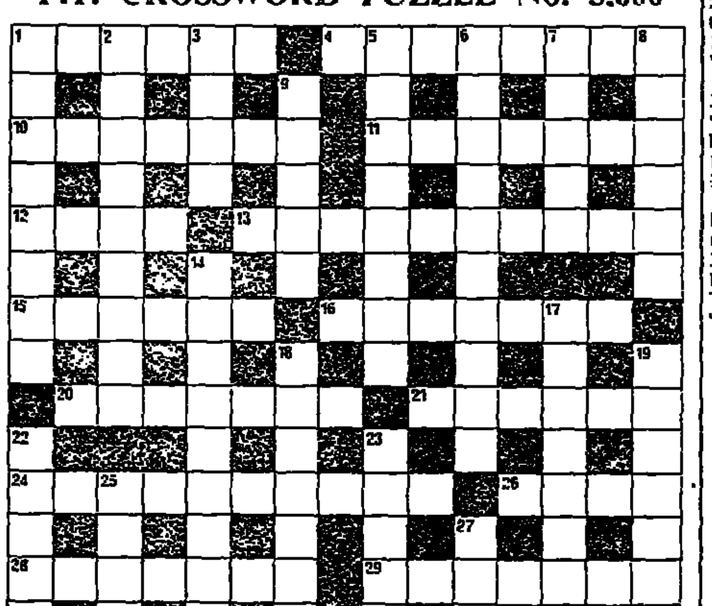
5.00 a.m. Morning Music. 6.00 A.M.—non-stop news, travel, sport, reviews information. 10.00 Brian Hayes. 1.00 p.m. LBC Reports including George Gale's 3 O'Clock Call. 8.00 After 8—with Ian Gilchrist. 9.00 Nightline. 1.00-5.00 a.m. Night Extra with Adrian Scott.

Capital Radio

194m and 95.8 VHF

6.00 a.m. Graham Dene's Breakfast Show (S). 9.00 Michael Aspel (S). 12.00 Dave Cash with Cash On Delivery (S). 3.00 p.m. Roger Scott with his Three O'Clock Thrill (S). 7.00 London Today. 7.30 Adrian Love's Open Line with Anna Raeburn (S). 9.00 Nicky Horne's Your Mother Wouldn't Like It (S). 11.00 Tony Myatt's Late Show (S) including 11.50 Moment of Terror. 2.00 a.m. Duncan Johnson's Night Flight (S).

F.T. CROSSWORD PUZZLE No. 3,600



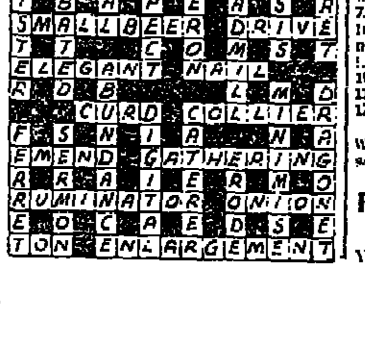
ACROSS

1 Neat sound of pound overdue (6)
4 Let each take a part of spirit stock (2, 6)
10 Feeler put out by worker to backward girl (7)
11 Wildly excited by French caper (7)
12 Deserve to give listener new start (4)
13 Goodness depending on promise I gave (4, 2, 4)
15 Fathead has joined motor club since shindy (6)
16 Old boy returns to disorderly town (7)
20 Notices another kind of part (7)
21 Single thing newsman put together (6)
24 First call for chance to command (7, 3)
26 Spoken of circle artist left (4)
28 South Africa opposed to old Indian money that's plain (7)
29 Strange how nutters charge with care (7)
30 Band of followers getting drunk before soldiers (5, 3)
31 China provides pet with fodder (6)

DOWN

1 Holiday going to stop (5, 3)
2 Sluice scandal (9)
3 Nobody heard woman in order (4)
5 Occasionally using both switches (3, 3, 2)
6 Melodramatic villain about to become difficult to digest (5, 5)
7 Proportion of public speech having no beginning or end (5)
8 Withdraw in two directions then give up (6)
9 Brother Marxist brings instrument round (5)
14 Not the man who took the micky out of films (4, 6)
17 Search for experience (2, 7)
18 Pine tree in desert not maturing early (4, 4)
19 One party the French attempt to worship (8)
22 Animal seemingly unconscious at play (6)
23 Drink given by detectives to the Queen (5)
25 Little fish found in Channel very often (5)
27 Better stake taken up volcano (4)

Solution to Puzzle No. 3,599



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evision

aundiced view from the bed

by CHRIS DUNKLEY

m time to time one hears s of a politician suddenly g scathing attacks on a television in general daytime programmes in ular. The reason is invariably very simple: she (but we shall stick nistically to he) has just discharged after a couple eks in hospital.

the first time in years watched at least as much g telly as the average , and a good deal more verage during the daytime. ver, if treatment was in a ward, the programmes d on the communal set dayroom will have been by a sort of *ad hoc* acy in which the pre- s of the patients with the voices, the greatest y, or the chairs nearest tend to prevail. Just like really.

years of being able to little more than the odd or current affairs pro- e, the politician will sud- ave been brought up hard the realities of *Cross-* our times a week, dozens ngly) of half-hour comedy in which reliance on and/or sexual shame is and any other topic the on. afternoon repeats of *Walk* and *Beryl's Lot.* endless succession of old which Raymond Huntley ard Wattis play gormless civil servants.

Richard Heffer and Emily Richard in 'Enemy at the Door' (London Weekend)

switch from his normal nious à la carte television this perpetual gorging on rdburger and chips can eat shock. Hence the out- full of references to s pap, visual chewing sults to the intelligence on. At such times even ts tend to forget that forces viewers in their mes to watch such non- ut that a large majority it in preference to the BBC2.

aving just emerged from myself, I write with eling when I say that the being obliged to switch e's normal choices to the *ds* diet is approaching matic. It is one thing to tand" in a purely al sense from the weekly figures that *Crossroads, on Street,* and *This Is fe* are the most popular mes year after year, and nother thing to under- by being obliged by the ces of the majority of patients to watch them nothing.

to my fellow sufferers port that at the *Cross-* otel matters proceed as s ever. David Hunter is in yet another doubtful venture, and Noele sounds more than ever e Matthews playing Mrs.

erial is at once the and the most unreal. tion: Real in the sense of its content is mun- eople are forever eat- siping, and mooning n a most realistically mer. Unreal because the plot is almost always patched on to character instead of emerging from it. If you pricked the staff of the Crossroads Motel would they not bleed? No they wouldn't they would rapidly deflate.

Over in *Coronation Street* they seem to have had a better understanding of the fundamental aspects of drama right from the beginning. Events are pretty mundane here, too, but when Elsie Tanner (now Howard, but Pat Phoenix is forever Tanner) discovers that the pigeons invading her loft are coming from a hole in the roof of Hilda Ogden's side, one can look forward with pleasant anticipation to the inevitable confrontation simply because one knows it will be written from the characters outwards and will carry the conviction of real human affairs which *Crossroads* so noticeably lacks.

Apart from this catching up on Top of the Paps and on some amazingly rotten old movies in the daytime (*Barnacle Bill,* for instance, a bitty and derivative film which convincingly gives the lie to the notion that all the Ealing comedies were masterpieces) it was occasionally possible in my ward to get a quick look at an episode or two of a new series, particularly if transmitted "late" at night which in hospital terms means after about 9.00.

I managed one episode of Yorkshire TV's new *Wilde Alliance* and, until long after the finish, could not place the atmosphere and style both of which created a powerful sense of déjà vu. The eponymous young couple — he apparently some sort of dotty writer, she the level-headed determined one—spent the night in a friend's "haunted" manor on the moor.

The house featured a solid looking girl ghost, footsteps in the night, close-ups on silently turning door handles, and the noise as of a heart beat from the bowels of the building which you and I promptly identified as heavy machinery run by crooks in the cellar. However, it puzzled the Wildes no end and made them feel jolly spooky.

Was it a Sapper pastiche I wondered: the country house with dirty deeds downstairs were favourites of his, but the period was wrong and there were no appeals to nationalism. Leslie Charteris, possibly, who has certainly used the ghosts-as-cover-for-villainy plot, but the story was not really funny enough for The Saint. A Woman's Own serial with the heroine discovering something nasty in the Cornish cliff-top mansion seemed closer, but for those you have to be Victorian and unmarried.

Finally it came to me: the family matiness, the plot, the style, the setting, the sense of humour, and even the dialogue were all perfect for the Famous Five. *The Wilde Alliance* is pure Enid Blyton.

On the evidence, once again, of just one episode, another new series, London Weekend's *Enemy At The Door,* seems to be one more of those modern serials which on the one hand are full of heartstring-tugging examples of the ghastliness of war (the horrifically scarred Luftwaffe pilot who "cannot forget" how his airborne strafing "butchered the poor sods" in the Polish cavalry) but on the other hand owe their very existence to and exploit the glamour of war: the drama, the challenge, the zest which it seems to have brought to so many lives.

Perhaps this all appeals strongly to those members of the generation before mine who, having fought and won the war, have been missing it ever since. It does not, however, appeal to me. I shall be happy if I never again hear vun of zose phoney German aggzents coming from under Berman's best Nazi dress uniforms.

A series which I do greatly regret missing is BBC2's *In The Looking Glass* of which I caught only a couple of snatches. In evolutionary terms it seems to owe its existence to *The End Of The Pier Show* but this latest fantasy of John Fortune, John Wells, Ian Keill and—importantly—composer Carl Davis, is as far advanced from its forebear as Homo Sapiens is from Australopithecus. It is television's first electronic musical comedy science fiction satire(!) and the bits I saw were wonderfully entertaining. Pray for repeats.

Aside from these odds and ends, my hospital stay threw up two general points about television viewing. First it seems that a lot of viewers (male ones, anyway) really do select a channel for the entire evening. "BBC 1 looks like the best bet to-night" they say, having consulted the programmes in the paper in mid-afternoon, and after switching on they stay with that channel, come what may, as though there were no channel changing facility on the set. Whether this is a cause or an effect of the scheduler's art seems a moot point, but it does throw some light on the ratings battles.

More important, several weeks viewing solely in black and white proves that broadcasters now assume far too often that everyone has a colour set. For instance coverage of the Conteh/Cokes boxing match by ITV Sport was made extremely confusing because the fighter's shorts and gloves looked identical in monochrome, and Reg Gutteridge's commentary did not help.

Thames Television's documentary *The Shoot* had me more and more puzzled as it unfolded, not just because there has so recently been a very similar programme about a year in the life of a gamekeeper, but because *The Shoot* was full of such dull sequences: dim scenes of setting rabbit snares under a February moon, and long meaningless shots of trees and sky. Then it dawned on me: with Mike Fash's eye behind the lens this was no doubt a subtle sonnet in pastels—so long as you were watching in colour. To the other 47 per cent (or perhaps it is now down to 45 per cent, still nearly half the population anyway), it looked pretty murky stuff.

Television producers should be sent for regular stays in hospital wards.

Comedy

Murder Among Friends

by MICHAEL COVENEY

This tacky American "thriller" (about as thrilling as a wet night in Coventry) closed on Broadway after 17 performances. In the States it is currently on the road in four separate productions starring Anne Bancroft, Cyd Charisse, Alexis Smith and Lana Turner. London gets Moira Lister, whose elegant brand of louche, Thatcherite poise survives even the mild disaster of an unzipped skirt in the second act. The producer fled from his box and when Miss Lister dashed upstairs for a gun she was not too fraught to return with the zip unattended.

Nor was a hair (styled by Patricia at the Cadogan Club) out of place. Miss Lister is planning to bump off her insufferable actor husband, Palmer Forrester, in collusion with his agent, Ted Cotton (Barry Stokes). But the compliment is returned by Forrester who has been giving Ted more than his 10 per cent. A curtain is manufactured for the two men to embrace on the sofa of a horrible New York duplex apartment. The plot curdles with the revelation that the mutually hired assassin, Larry Prosciutto (an appropriately ham performance by Robert Swales) is none other than the athletic beach boy hired by Palmer to extort money from his wife gradually last summer.

Theatre posters around the walls reveal that Palmer has played opposite Pamela Brown, Deborah Kerr, Eileen Herlie and, in *King Lear, beneath* Judith Anderson (he gave his Goneril?!). This may justify, but in no way explains, why Tony Britton plays the thespian as a Bob Hope look-alike with a Mae West drawl. Mr. Britton's performance is the one piece of accomplished work in Roger Redfarn's otherwise wretched production. There is a little bondage, Max Factor blood and a couple of spurious corpses to string the evening out. Margaret Courteney is, unfortunately, involved as the wife of a theatre producer (Dermot Walsh) who utters a line about one of his shows that applies exactly to this. "Will it run?" he is asked. "Sure, if I put it on wheels and push it down hill."

The author is Bob Barry and light relief was provided by a posse from Equity on the pavement outside protesting at the production's recent presentation to segregated audiences in South Africa. Well, at least *some* people were lucky enough not to be able to see it.

Leonard Burt

Moira Lister and Tony Britton

St. John's, Smith Square

John Alldis Choir

by NICHOLAS KENYON

The London Music Digest appears to have reduced its activities of late—none of those lavish, multi-faceted programmes devoted to a single composer's music (though we are promised an all-Cage evening in the Elizabeth Hall on June 13). Last night's "Vocal Digest" at St. John's was a more modest affair: four choral works by contemporary British composers, plus Xenakis's *Nuits:* yet it was extremely satisfying.

That's not to say that each of the works was a masterpiece; only that John Alldis managed to sustain in his singers and in his audience a remarkably intense degree of concentration. Even Malcolm Singer's *Kyrie* and *Agnus Dei,* which were little more than imaginatively drawn echoes of plainsong fragments, mingling and rippling like the results of a (pleasantly) distorted acoustic, had their full measure of sustained, firmly drawn lines in the singing.

The slightly-too-English restraint of Alldis's singers matched the mood of the Singer pieces, and it also made a beautifully cool, precisely etched performance out of Harrison Birtwistle's undemonstrative setting of words from *Sir Gawain and the Green Night:* highly complex verse, well matched by music of detached, slowly moving logic.

Restraint was less appropriate in Xenakis's viciously powerful *Nuits,* where the violent noises which cut across screeching chords sounded curiously emasculated in this well-controlled but unaffecting account: this arguably naive protest piece needs an overwhelming passion behind it in order to convince. Nor could Alldis do much for the work which David Bedford dedicated to him "and the little man in the lemon-soiled suit": *The Golden Wine is Drunk* seemed like mere dregs, full of feebly-imagined improvisational devices, neither well characterised nor specially coherent.

The shock of the evening, however, was that of hearing a piece by Brian Ferneyhough that I could actually understand. Any suspicions of self-indulgence in technical difficulty which one might have gained from his recently premiered *Transit* (which was broadcast last week) were swept aside by this account of his earlier *Missa Brevis.* The concision of the writing, gradually opening out from an unbearably terse Kyrie, through a dense by thrusting Gloria and Sanctus, to the more decorative Benedictus, was directed towards an Agnus Dei in which the three choirs finally drifted apart, their material disintegrated. Superbly accurate singing, as far as I could judge, drawn together with real weight and strength by John Alldis.

Cathedral library grants

The British Library has made grants totalling £67,000 to assist in the cataloguing of older books in cathedral libraries. Durham Cathedral library receives a grant of £10,500 annually for three years, and Canterbury Cathedral library a grant of £18,500.

The Bibliographical Society, which has been compiling a union catalogue of pre-1701 books in the cathedral libraries of England and Wales, receives £19,000 to complete this project.

Court

e Bear/The Kreutzer Sonata

Leonard Burt

Pauline Collins and David Suchet

r Barnes's *Laughter!* only two weeks, the rt is improvising until of March. Tolstoy's onata (1890), seen in pstairs last month, is fanatical monologue dangers of sex and while Chekhov's ne-act farce *The Bear* lebrates the indes- rge of falling in love. ry widow may have for seven months but, uff creditor observes, t forgotten to powder

wretched Pozdnyshev fellow traveller on a urney to reveal how ed to murder. Peter kilful adaptation and net's riveting perform- nt us with the confes- cathing address to the The chief argument or all the talk of ights, female emanci mpossible for as long ominate the bedroom. so (as Chekhov noted) lstoyan twaddle about bad for pregnant ut the narrative is replete with detail ote, and Pozdnyshev uch by declaring his of music unless it urpose.

net's forcefully maintained picture of a man driven by jealousy is in fine contrast to his performance in the curtain-raiser: here, the landowner Smirnov is virtually propelled into Popova's drawing room by his need to collect money. He is almost visibly eaten away by money worries, but is soon overtaken by sexual braggadocio in the face of Popova's langurous indifference to his plight. Pauline Collins plays half-on to the audience, collecting good laughs throughout. As the insults fly, she challenges the intruder to a duel. Smirnov agrees, and N. F. Simpson, fiddling with a standard translation, has him say: "That will teach her what emancipation is all about — but what a woman!"

*

Stuart Burge directs *The Bear* at a fine pace with felicitous bits of business: Smirnov goes on his knees to propose, kissing Popova's hand before replacing the pistol in it. As the landowner has supplied her dead husband with horses' fodder, it would be fair to suggest that Popova thought that getting her oats was a household chore—until she discovered Smirnov.

MICHAEL COVENEY

Chichester's 1978 plans

Chichester Theatre unveiled most of the plans for its summer festival season yesterday . . . but kept three big secrets. First, the theatre named only three of the four plays for its 17th season which opens in May—refusing to reveal the name of the fourth production. Artistic director Peter Dews refused to disclose the names of the two top actresses who will star in the play—because contracts with them have not been completed.

He also kept secret the name of the leading actor the theatre hopes will play opposite Jill Bennett and Cathleen Nesbitt in one of the productions — *The Aspern Papers,* a Comedy of Letters adapted by Michael Redgrave from the story by Henry James.

The other two plays announced for the season (May 9 until September 16) are *A Woman of No Importance* by Oscar Wilde and *Look after Lulu* by Noel Coward.

Barbara Murray, Sian Phillips, Keith Baxter, Gayle Hunnicutt, Tim Woodward and Martin Chamberlain will star in the Oscar Wilde play, originally produced in London in 1892.

Round House

BBC Symphony

Only a part of the BBC Symphony was called to play on Monday night, for even the most heavily manned work required only a score of players. The longest and loudest piece, Berio's *Laborintus II* (conducted by the composer), also employed the Swingle II group to sing, speak and shout; Cathy Berberian to narrate, and an electronic tape—most ingeniously and effectively matched with the live forces — to supply washes of abstract sound and even more voices.

Only a little of Eduardo Sanguinetti's text—much of it from Dante—could be distinguished in the Roundhouse: more came through in the broadcast relay later in the evening. But the literary—anarchical side of the work already seems dated; Berio's endlessly resourceful sound-constructions carry it fervently along, evoking the inferno grandly and potently.

Lionel Friend conducted Bruno Maderna's *Giardino Religioso,* in which there are no verbal games beyond the title (it is not a work of piety, but it was a Fromm Foundation commission, and *fromm*="pious"). It is laid out like a garden, with a central show of banging and plinking instruments surrounded by a bed of strings and flanked by sprays of brass. In the outer sections of the music, the outer borders flower freely with melodic scraps; the middle is tougher, full of impacted, highly charged writing for pianos, harps and percussion. I have heard sharper sense extracted from that section, but the broad outlines of the piece were well-weeded and shapely.

The newest music was *Reflections of Narziss and Goldmund,* by Robert Saxton, who has studied with Berio and Elisabeth Lutyens. Inspired by Hermann Hesse's novel, it has already been heard in France and Germany. It pairs a mixed sextet and a quintet in cautious tandem, proceeding together in fits and starts without quite coinciding, refereed by harp and piano/celesta. The latter mark each section-end with delicate cadences, and converse discreetly with the rest, while a reflective oboe pursues its own thoughts. The climate remains exceedingly temperate, but the writing—like intricate knitting—is sweet-toned and entrancingly lucid, and Mr. Friend's impeccable rendition of it lasts hardly more than ten minutes. To one's surprise, Hesse without the people seems to translate into Firbank: elusive, perfumed, elegantly bitty and thoroughly fey.

DAVID MURRAY

FINANCIAL TIMES

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Wednesday February 22 1978

Unemployment and skills

THE CENTRAL Statistical Office announced on Monday that its index of national output had risen between the third *and fourth quarters of last year* from 110.0 per cent. to 110.2 per cent. Given the various ways possible of making this calculation and the margin of error implicit in them all, one can conclude no more than that *output probably remained much* the same — at a level rather below the average level for 1973. Yet the unemployment figures, which had risen steeply in the third quarter, fell throughout the fourth while the number of unfilled job vacancies began to rise. This trend has continued into 1978: the figures issued by the Depart*ment of Employment yesterday* show that unemployment has *been falling and vacancies ris*ing for five months in succession. And yet industrial surveys show little sign of any great revival in demand for *unskilled* labour.

There are two possible lines of explanation for this apparent drop in productivity, both of *which probably contain an ele*ment of truth. The first is that the statistics are wrong. So far as the unemployment figures go, it is worth noting that last year's seasonal adjustments have been somewhat revised, that there was a similar improvement in the trend at the beginning of 1977, and that there was a sharp and unex*plained drop during February* in the numbers joining and leaving the unemployment register. At the latest count, moreover, actual employment was falling.

Government help

The second possible line of explanation has two aspects. One is that a very high proportion of the total drop in unemployment since last Sep*tember has taken place in the* south east region (including London), where percentage unemployment is lower than any other region in the country. Whatever the reason for this revival in the south east—and it is probably connected with the improvement in consumer demand—there has been correspondingly little revival elsewhere. The other aspect, which is by far the most important distorting influence on the labour statistics at present, is the collection of Government schemes for saving or creating *jobs. These are estimated to* be keeping around a quarter of a million people off the unemployment register, and the Government is in the course of taking new powers to renew them or adapt them to meet the objections of the European Commission.

The *rise in the* number of unfilled job vacancies must *have a different* explanation. It is not nearly so concentrated *in the south east as the drop* in unemployment, and seems to *square reasonably well with* widespread reports that shortages of *skilled* labour are troubling industry even when *the overall level of unemploy*ment is so high. At yesterday's conference on recruitment by the Processing Plant Association, for example, references to critical shortages of engineers and draughtsmen were common.

Re-training

There are no doubt a variety of different reasons for this shortage of skilled labour, some of long standing, some more recent—the compression of differentials, for example, caused by continued wage restraint. It must be one main aim of the official programme for the alleviation of unemployment to encourage training and *re-training by every means* available: the present job *assistance programme is largely* short-term whereas the unemployment problem looks like being largely a long-term one. But if this programme is to be successful in practice, both sides of industry must take account of the sort of criticisms that were aired at the PPA conference yesterday. Managers, for example, must learn to make full use of the high-quality engineering graduates that will soon be coming out of the universities; union *leaders must encourage their* members at plant level to accept those who have been re-trained as properly qualified. The revival of British industry, if it comes about, will not come about painlessly.

New pressures on U.S. unions

ONE OF the factors behind the surge of European investment *in the U.S. is the belief that* American trade unions, with *some exceptions, present less of* an obstacle to efficiency and profitability *than their counter*parts in Europe. That American unions are tough bargainers is well understood, but their objectives, it is widely supposed, are broadly in line with those of management: they recognise that high wages depend on high productivity. The U.S. miners' strike, which has been going on for nearly three months and is *now posing a serious threat to* manufacturing industry in the *Middle West, is a reminder that* labour relations on the other side of the Atlantic are far from perfect. Moreover, although the present strike stems in part from divisions within the United Mineworkers, whose effectiveness as a union has greatly deteriorated in recent years, some of the ingredients in it have wider implications.

Productivity

In negotiating a new contract the American coal mine operators tried to do what a good many European companies are also seeking—to re-establish the authority of management in *areas where discipline and pro*ductivity had been allowed to *slip. In return for a substantial* increase in pay—a 37 per cent. rise in wages and benefits over three years — the employers sought agreement to more stringent controls over absenteeism, a new system of penalties for employees who participate in unofficial strikes, *and a radical revision in the* industry's health and pension *schemes, abandoning some of* the principles laid down by the UMW's most famous leader, Mr. John L. Lewis, 30 years ago. All this reflects the employers' determination to control costs, increase productivity, and put the industry's labour relations on a new footing.

It is not yet clear whether the employers will be forced to modify their position. Even if a settlement is reached in the next few days, the strike has highlighted once again the weakness of the UMW leadership, whose acceptance in principle of the proposed contract *was overturned by the union's* bargaining council. Quite apart *from the special traditions of* coal mining, the UMW can hardly be regarded as typical *of American unions, many of* which have a highly professional leadership and good internal communications: the United Automobile Workers is perhaps the outstanding example. But there is a possibility that labour relations in the U.S. are heading for a more troubled period in which the conflict between job security *and productivity will be more* difficult to resolve.

Observers in the U.S. appear to be less worried by the size of prospective wage demands than by non-wage issues, particularly the attempt by managements to recover some of the ground which they think they have lost to unions in recent years. With high unemployment and with the public image of unions generally at a low ebb, employers may feel in a stronger position to deal *with problems such as overman*ning and inefficient work practices. *As more industries feel* the impact of competition from *low-cost imports, the need to* streamline and to modernise *will increase; any protection* they may obtain from the *Carter Administration is un*likely to be long-lasting enough to eliminate this threat.

Militancy

In steel, where the need for rationalisation is particularly acute, there were indications last year of growing militancy *at the shop-floor level and dis*satisfaction over what was regarded *as a "sell-out"* by the leadership of the United Steelworkers on several key issues. Yet there is no sign as yet of a united union campaign to stop the redundancies and closures which have been announced in *recent months.*

Fortunately for the U.S., few industries have allowed their labour relations to fall into the disrepair which is evident in the *coal mines. Collective bargain*ing generally takes place within a stable framework of strong, one-industry unions, legally binding contracts and (for the most part) effective grievance procedures at the workplace. But the strains on this system, arising from competitive pressures *in industry and new demands* from union members, seem certain to grow.

Arthur Young McClelland Moores & Co.
Touche Ross & Co.
PEAT, MARWICK, MITCHELL & CO.
Arthur Andersen & Co.
Price Waterhouse & Co.
DELOITTE & CO.
Whinney Murray & Co.
Coopers & Lybrand

Competition in accounting

BY MICHAEL LAFFERTY

BRITAIN'S medium-sized *accounting firms are under* attack—probably as never before—as competition heats up among the international accounting giants for their biggest clients. The threat to survival in their present form is now so *great that several of these firms* have recently considered or are *currently in process* of discussing some form of merger or *association. "Hardly a day goes* by without somebody suggesting *that we talk" comments the* senior partner of one city firm *which has just completed one* merger.

The signs of the growing *trend towards concentration are* not hard to find. If anything *they seem to have been building* up to a rush over the past two years. *The latest example* was the appointment of Arthur Andersen as joint auditor of BICC. Just before that, there was the case of Reed International which dropped Champness Cowper, its auditors of 80 years' standing, in favour of Price Waterhouse. Other examples involving the appointment of "big eight" accounting *firms* include LRC International's appointment of *Whinney Murray in place of* Keens Shay Keens, Ransome *Hoffmann Pollard's appointment* of Peat Marwick Mitchell in place of Tansley Witt, Slough Estates' appointment of Deloittes in place of Cocke Vellacott and Hill, Lyle Shipping's appointment of Arthur Young McClelland Moores in place of Hardie Caldwell Ker and Herdie, Crosby House Group's appointment of Touche Ross in place of Hays Allen, and Coopers and Lybrand's appointment as *Glaxo's joint* auditors, together with Clark Pixley.

These are just some of the recent changes. The total number of quoted companies moving over to the "Big Eight" or *other large accounting firms in* the past two or three years is probably at *least* three per firm. Typical reasons for companies to change their auditors include: the relative size of their overseas business (BICC, Reed, LRC); a desire to have one large accounting firm doing all audits (Ransome Hoffmann Pollard); recent overseas expansion *(Crosby House), and a need to* have the services of an inter*national accounting firm (Lyle* Shipping). All together it seems to amount to a growing belief that only the biggest accounting firms can provide the range, and *possibly the quality of services,* which are increasingly considered essential for *companies* with substantial overseas operations.

But the threat to the position of the medium and small accounting firms comes about for a whole range of other reasons too. In the old days when companies sought Stock Exchange listings pressure came typically from their merchant bankers. It was far better for the image, the argu*ment went, if a well-known City* accounting firm was involved. *Some of the firms who lost out* as a result of this were quick to point to "*back-scratching*" between the big accounting firms and the merchant banks, or others.

Possible clients

To-day the business of running a big accounting firm is far more professional than it used to be even five years ago. *Sensible managing partners* compile lists of possible future *clients, and partners and staff* are encouraged to use their best endeavours to bring in new business. But apart from Government work there is not that much new work around so the competition is tough for whatever opportunities come along. Reed International, for example, invited and received sales presentations from a *number of the large accounting* firms before deciding on Price *Waterhouse,* while the senior partners of both Peat Marwick Mitchell and Coopers and Lybrand have both recently warned of a tougher and more selective approach by clients in future.

Contrary to the situation in the U.S., where the "Big Eight" *accounting firms account, for* instance, for around 95 per cent *of the Fortune 500 company* audits, audits of U.K. listed companies are still fairly widespread. One perspective on the present state of concentration here is provided by a study of the 1977-78 Times 1,000 list of top companies. In 1977 the 1,000 companies had a total of 1,059 appointments if joint audits are counted as two. Only *726 of these—69 per cent.—are* accounted for by as many as 15 *of the largest firms.* In the top 500 companies, with a total of 541 audits, the same 15 firms do 75 per cent. of the audits.

So, not surprisingly, it is to a greater share of the quoted and large private company *audits that the big accounting* firms are now directing their efforts.

Shopping lists are compiled from a variety of sources. But an obvious starting point used by several firms is *Crawford's Directory of City Connections,* which now lists all accounting firms with their quoted and large private company clients.

Companies taken over by existing clients are also listed *and eagerly pursued as are U.K.* branches of clients of foreign associates of the U.K. accounting firm.

At a recent "sales" meeting of a group of accounting firms from a number of leading industrialised countries detailed lists of clients with U.K. subsidiaries *or connections* were discussed. The object of the exercise was *to get as many of the audits of* these foreign companies' sub*sidiaries into the hands of the* U.K. firm in the group. Since *the foreign accounting firms get* referral fees (of 10 per cent. normally) on all such work, everyone benefits, except the unfortunate U.K. accounting firm which happens to be doing the audit at present. Such was the businesslike atmosphere of the meeting that national managing *partners left* with detailed notes on exactly how far their asso*ciates in, say, Switzerland had* got with getting promises from their *clients to transfer, for* example, U.K. subsidiary audits to their associates. Some of the clients involved were major multinationals.

Another danger—to other than the large accountants—is the *increasing pressure for* higher standards in accounting and auditing. *The big account*ing firms are regarded as large enough to be independent of any client (though it is worth asking how independent individual partners may sometimes be) and they claim to *have the most stringent rules* for maintaining the objectivity *of both partners and staff.* Smaller accountants are generally closer to their clients—often acting as trustees for family shareholdings—and also tend to be more dependent on their largest audits.

In the last few years the *accounting bodies have issued* guidelines suggesting that no single audit client *should* represent more than 15 per cent. of a firm's fees, and this too has *brought pressure on smaller* accounting firms to relinquish audits or to merge.

Such a limit poses no problem for the majors—except perhaps when it comes to Government and nationalised industries' appointments and assignments.

The big accounting firms are better equipped to carry out *research into accounting* standards, they tend to have better training facilities and to attract the cream of new entrants to the profession. Those who leave after qualification to go into industry or commerce often keep close contact with their former firms. *Indeed they are one of the* largest single sources of new clients *for most accounting* firms.

Vulnerable areas

Joint audits are one of the most vulnerable areas for the smaller accountants. *When they* occur they are generally regarded as the beginning of the end for the old auditor, if only because work will have to be duplicated in at least some areas, with consequent inefficiency. The typical outcome of the appointment of a major *accounting firm to a joint audit* is the resignation, probably a *few years later, of the smaller* auditor. Of course things do not always work out that way. Take Ready Mixed Concrete, for instance, where Coopers and Lybrand and Kidsons have been doing the audit jointly for many years or Richard Costain—where Peat Marwick Mitchell and James Worley have been joint auditors for 33 years. In *both cases the company* has no intention of concentrating the audit in one of the firm's hands.

Of course, some medium-sized accounting firms are in a strong position through specialising in particular industries or types of business. Examples include: Moore Stephens' specialisation in shipping business, Baker Sutton's expertise in Lloyds under*writing and insurance* in general, Viney Merrits' practice in forensic work or Cork Gully's importance in the insolvency field. Again there are signs that medium-sized auditors are becoming less of a pushover when a company seeks to appoint a big accounting firm. Last year the Barker and Dobson Board saw its attempt *to appoint* Price Waterhouse in place of Pannell Fitzpatrick voted down by shareholders after Pannell's decided to write to shareholders saying it was willing to stay on. However, in an identical situation at Howard Tenens Services the Board's proposal to appoint Touche Ross in place of existing auditors, Comins and Co., was approved by shareholders without opposition. The Tenens directors wanted the change because they *felt that Comins and Co.* was not big enough to provide the comprehensive service the company required.

Nevertheless, if present trends continue there are good reasons to suppose that the typical medium-sized accounting firms—running from those below the top 15 or so firms—will gradually lose their large audits. It is difficult to estimate how many firms are in this category but there are probably at least 200 out of the 9,000-odd *accounting firms registered* in the U.K.

MAJOR U.K. ACCOUNTING FIRMS (By number of audit appointments in Times 1,000 1977-8)*		
FIRM (alphabetical order)	TOP 1,000	TOP 500
Arthur Andersen	26	12
Arthur Young McClelland Moores	46	27
Coopers & Lybrand	73	48
Deloittes Haskins & Sells	100	69
Peat Marwick Mitchell	126	59
Price Waterhouse	121	74
Touche Ross	26	12
Whinney Murray	34	20
TOTALS FOR THE "BIG EIGHT"	552	321
Binder Hamlyn	23	9
Josolyne Layton Bennett	14	8
Mann Judd	24	14
Spicer & Pegler	22	7
Thomson McLintock	42	17
Thornton Baker	24	10
Turquands Barton Mayhew	25	28
TOTALS FOR THE TOP 15	726	404
Other Accounting Firms	333	137
TOTAL APPOINTMENTS	1,059	541

* This is just one measure of major British Accounting firms. Other factors could give a different ranking.

Proportion of small clients

On past experience some of these firms will achieve successful mergers with the big firms particularly if they happen to be based in parts of the U.K. where a major firm needs a branch. But such cases are bound to be few and far between because almost all the big firms now have extensive national networks. Outright mergers of the larger of the medium-sized firms with the majors also seem unlikely, except in a few isolated cases because of high ratios of partners to staff and a large proportion of small clients.

The extraordinary thing is that many medium-sized accounting firms do not seem to be aware how much things have changed. Typically, they devote little or no attention to practice development and seem resigned when they lose clients. Many appear to exist in the "olde world" professionalism of pre-war days, when any form of publicity was shunned and all outward efforts to secure new clients were considered unethical.

Clearly the medium-sized firms have image and sales problems. They have got left behind in the big rush to build up accounting units capable of dealing with the needs of multinational clients. But there ought to be many instances—even involving large quoted companies—where their services could have advantages over the "Big Eight" *et al.* To start with fees are likely to be far cheaper, partners and staff much more accessible, procedures less regimented, and the general approach more personal and less bureaucratic. But *if the small firms do not soon realise their own possibilities and learn to* adopt the tactics of the accounting giants *they will have* only themselves to blame.

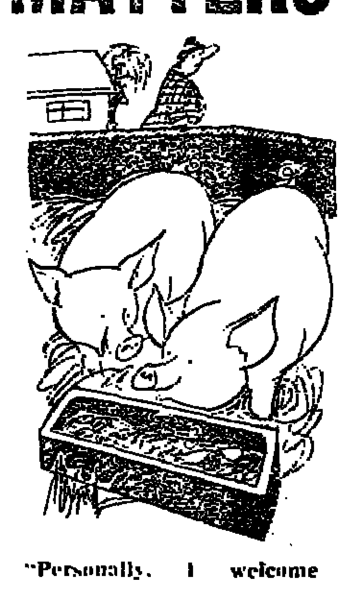
MEN AND MATTERS

Leaving the Old Lady

Yet another U.S. bank is obeying the famous adage about going west. United California *Bank is leaving Moorgate in 10* days' time for Essex Street near Aldwych. When I asked why, general manager Brian Weston answered me in a monosyllable: "Rates." By going 200 yards beyond the City limits into WC2, UCB is cutting its rates bill by almost two-thirds. Weston did add that it is growing harder to find suitable quarters inside the City, but savings in rates and square *footage costs are clearly the* key to the trend. Citibank *started it by quitting Moorgate* for the old English Electric headquarters in *Aldwych;* last year Security Pacific and Chemical Bank followed suit—the latter also from Moorgate. Who goes next? Some other American banks are even looking in the opposite direction, *with schemes for moving their* clerical staff down to the East End.

I asked Weston, a 44-year-old Englishman, what he thought *might be lost by saying farewell* to the City. Again the answer *was one word: "Nothing."* He believes that better telecommunications are fast reducing the personal element in a banker's daily round. On the *other hand, UCB's new home* will bring it closer to many *corporate customers and* Californians in West End hotels.

In asset order, UCB ranks fifth among Californian banks: just *along the pavement in* Moorgate—and staying put—is the Bank of California, ranking seventh. BanCal was the subject of Standard Chartered's abortive bid last year and, incidentally, has gone through *a remarkable upheaval* since then. Its entrepreneurial chairman, Chauncey Schmidt, has pushed up net income in the past two years from $2.7m. to $22m.—in large part by selling off 30 loss-making branches on the West Coast. So it looks as though Lord Barber *missed* a good thing when he failed to *get BanCal; but Chauncey's* mettle will be fully tested this year when he has to put the new assets to work in a depressed economic environment.



"Personally, I welcome another Danish invasion!"

Unsure shell

If Scottish nationalists can drag their eyes away from the Devolution Bill, they might well look at what could happen today to a *monument of their* history. Seven miles outside *Edinburgh stands Mavishank,* an 18-roomed mansion built in 1724 by William Adam, father of Robert Adam, but the Midlothian district council wants to serve a notice to pull it down as dangerous. True, the Georgian *magnificence of* Mavishank was marred by a fire in *1973, and subsidence caused by* coal mining has not improved matters. But the shell of the house is a famous landmark, standing high above the North Esk river. Demolition is opposed *by the Department of the* Environment and various bodies concerned with historic buildings, but the council wants to decide to-day to press on with its plan. The alternative would be to make Mavishank a "safe ruin" at a cost of £14,000—with which the Coal Board might *help. The person most reluct*ant to see the mansion pulled *down is the owner, accountant* Archibald Stevenson, who now *lives in a caravan. Why did he* not rebuild after the fire? "I must admit my fire insurance was exceedingly small," he says sadly.

French with tears

The *Junior British Commis*sioner, Christopher Tugendhat, is not playing the Brussels numbers game by the rules. That, at least, is the feeling of H.M.'s diplomats in Brussels, who are seething about Tugend*hat's appointment last week of* a Frenchman, Gerard Imbert, to *head the Commission's banking* and insurance division. Imbert replaces a Bank of England nominee, Robin Hutton, who has returned to the City; the British Government had come to regard this post as an established slot for a Briton.

Tugendhat says Imbert was appointed simply because he was the best man for the job, although there were rivals sponsored by the Bank of England and the Treasury (both *happened to be named Cooper,* which may have been mud*dling). Imbert* has risen through the Commission ranks, and Tugendhat, as the commissioner in charge of personnel, is keen to improve the careers prospects of his Eurocrats, often sore at having national appointees "parachuted" in over their heads.

Be that as it may, Britain *complains that of the top "A grade" posts,* she has only 14.6 per cent., while France chalks up 19.5 per cent., Germany 18.5, Italy 18.1, and even little Belgium, 13.6.

A remedy that British diplo*mats suggest, among others,* is that when it comes to making *room for the Greeks, Portuguese* and Spanish, non-British Eurocrats should get the chop first.

Counting heads

David Steel, the Liberal Party leader, yesterday scored off *colleagues of all persuasions* when he told the London Society of Accountants: "The unending activities of politicians are the reason accountancy is a growth profession." Or perhaps he was just reminding the society to show a proper sympathy for Westminster—which is currently grappling with a chronic shortage of accountants in *government* departments. It happens that a Press *communique was sent* out yesterday by Whitehall to *announce that 17 civil servants* have passed various parts of the Institute of Cost and Management Accountants examinations. Hats off to the team from the Royal Army Pay Corps which is drilling civil *servants in the* accountancy arts.

Silent majority

On the train from Waterloo to Winchester at the week-end, a denim-clad teenager was filling the compartment with the sounds of Radio 1 from his transistor radio. After 20 *minutes he turned to a com*panion and asked: "What's *your favourite station?*" An elderly woman sitting in the corner with a book spoke first: "It's the one you get out at."

Observer

FINANCIAL TIMES SURVEY

Wednesday February 22 1978

QATAR

Under the firm leadership of its Ruler, Sheikh Khalifa, Qatar is treading a prudent path in its development policy and relations with the rest of the Arab world. Though oil resources are limited, the commitment to gas-based industrialisation is total.

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chard Johns
East Editor

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Emirate has proceeded with relative caution and deliberation on its development path, taking its time and concentrating on essentials, under its canny and wise Ruler, Sheikh Khalifa bin Hamad al Thani. Unlike his peers in the Gulf, he is not concerned that he does not have a prestigious airport terminal. His approach towards the disbursement of oil revenues has been very much in character with Qatar's reserved, almost introverted, but very prudent personality. A peninsula jutting prominently out from the Arabian mainland, Qatar remains something of an island unto itself, still the most anonymous and least known of the oil producing states of the Gulf.

Qatar's petroleum resources, however, have inevitably drawn it into the mainstream of political and diplomatic life beyond its immediate Gulf environment. The State's indigenous population, which is estimated at little more than 50,000, is rated third in the world in terms of per capita income of $11,400. It is still classed, somewhat misleadingly, by economic forecasters as one of the four members of the Organisation of Petroleum Exporting Countries which will be in endemic surplus for the indefinite future.

Perspective

In this respect Qatar should be put in its right and modest perspective. It was the first producer to join OPEC after its establishment by the five founder members, but its production is less than 2 per cent. of the total and proven reserves proportionately only a little more. At present rates of output the oil wells will run dry by the turn of the century. Oil revenues, now running at about $2bn., are more than enough to cover budgetary spending, which is limited by absorptive capacity, but after aid disbursements and contributions to various pan-Arab projects the State's fiscal surplus last year would only have been in the region of $250m.

Since the oil price explosion of 1973-74 about 15 per cent. of Qatar's income has been spent as aid. With only limited resources available and big long-term commitments on the domestic front, Sheikh Khalifa has made it a policy to distribute funds through multilateral channels, justifiably resisting importunate calls on his exchequer by individual lesser developing countries. The heavy calls made upon the Arab producers by the summit conference at Rabat in 1974 would have been mainly responsible for the fact that the outflow of grant aid by Qatar was the equivalent of $225m., or 12 per cent. of total revenue in that year. Its share of the $2bn. capital of the Gulf Organisation for the Development of Egypt was set at $400m., the bulk of which would have been disbursed in 1977—amounting to 20 per cent. of one year's petroleum revenue and 10 per cent. of GNP. Qatar, too, has taken a stake in the Cairo-based Arab Industries Organisation, the project designed to give the Arabs and Egypt, in particular, an arms manufacturing capability.

Even if Qatar wanted to remain in isolation from the cross-currents of the Middle East, it could not. As it is, the commitment to GODE highlights what the Emirate feels to be its vested interest in President Anwar Sadat's survival as leader of Egypt and the continuation in power of a moderate regime in Cairo, the hub of the Arab world. Sheikh Khalifa's known concern on this score reflects the more intense and meaningful preoccupation of Saudi Arabia that the conservative forces should predominate. For his part Sheikh Khalifa is known to be apprehensive that if Mr. Sadat were to fall and be superseded by a radical successor, the conservative regimes of the oil producing States, including his own, would be endangered. Relations with Egypt are close and good. Thus, Qatar—like Saudi Arabia, Kuwait and the United Arab Emirates—secretly wished Mr. Sadat well with his peace initiative but had the same misgivings about the rift in the Arab world caused by it and fears about the possible consequences of failure.

Questioned on Mr. Sadat's initiative and speaking on behalf of the Government, Mr. Issa al Kawari, Minister of Information, predictably stressed as conditions for a settlement Israeli withdrawal from all territory occupied in 1967 and the restoration of the "legitimate rights" of the Palestinians. He added, "The State of Qatar is of the opinion that the failure to reach a peaceful settlement will plunge the Middle East into an abyss." Sheikh Khalifa recently felt sufficiently concerned to summon Western ambassadors and urge them to tell their Governments "to take further steps to put an end to Israeli intransigence and to increase their efforts in giving more momentum to peace efforts in the area."

Since the ending of the treaty relationship with the U.K. in 1971, Qatar like the UAE has performed a considerable feat in orientating itself to the outside world. Traditionally, the Emirate has tended to look inwards to the Arabian heartland. As in Saudi Arabia, the puritan Wahhabite sect predominates, although Qatar is more liberal and does not apply the Shariah law in its full rigour. Nevertheless, the influence of its much more powerful and stronger neighbour is bound to be felt —for instance ,the closure of Doha's only licensed restaurant and recently drafted legislation restricting women driving cars may have been not unrelated to the Kingdom's feelings.

Freeze

Qatar is bound to feel Saudi Arabia's weight as the world's premier oil power. At the last OPEC conference it fell into line with Saudi Arabia in supporting, however reluctantly, a price freeze for the first half of 1978 at least, having fought for a sizeable increase at the meeting which it hosted in Doha a year earlier. In retrospect, that seems to have been something of an aberration. With Iran opting against a rise and market conditions being what they are, it could be argued that Qatar had little choice but to join the "freeze alignment."

However, in general geopolitical terms Qatar has a common identity of interest with Saudi Arabia and, indeed, with the other conservative Gulf producers, with which it shares the common anxiety over "Gulf security"—the concept meaning mutual protection against subversion. Qatar is participating fully in the general consultation and co-ordination in the region. Harmony with its fellows would be more or less complete but for the residue of historical rivalry with the ruling house of Bahrain, which has left lingering the dispute over ownership of Huwar Island.

While Qatar is as security conscious as its neighbours, internally it presents a picture of unruffled tranquillity. In Sheikh Khalifa it has a formidable Ruler who took virtually full responsibility for the considerable degree of modernisation and development achieved before he deposed his cousin Sheikh Ahmed in the bloodless coup of 1972. Not until his accession was a full and proper Cabinet created. A man with a prodigious appetite for work, an acute financial brain and an ascetic style of life. Sheikh Khalifa is very much a chief executive who misses little or nothing of what goes on in his realm.

It was characteristic of his caution and deliberation that not until last summer did he appoint as Crown Prince and successor his son Sheikh Hamad, who is also Minister of Defence and Commander-in-Chief of Qatar's Armed Forces (an unextravagant but efficient military organisation numbering some 20,000 men). Presumably some consultation with the elders of Al Thani ruling family took place. Yet there again Sheikh Khalifa remains unquestioned boss of his proliferating tribe.

Now there are said to be no less than 700-800 male members —all of them "sheikhs"—of the family, a privileged group which in itself constitutes a fair proportion of the 50,000 or so indigenous Qataris, a quarter of the 200,000 total estimated population. Like the UAE, Qatar is heavily dependent on expatriate manpower, which now provides more than 80 per cent. of the workforce. Statistics for the private sector in 1977 (including the petroleum industry, though it is now nationalised and also admitted to be less than fully comprehensive) show Qataris filling only 5 per cent. or 1,500 out of the 30,000 jobs accounted for. Conversely, they are said to account for about two-thirds of 20,000 or so posts in the fast-expanding bureaucracy.

The Pakistani presence is 75,000 or more, a fact that has led the Government to tell contractors to recruit elsewhere and also led to the appearance of South Koreans, Taiwanese and Thais working on projects in Qatar. As groups Indians and "northern" Arabs each probably number 20,000-25,000. In addition to an Iranian contingent, there are an estimated 5,000 West Europeans and Americans fulfilling managerial, professional and technical functions. Despite the imbalance, there seem to be none of the social strains evident in the UAE and Kuwait. Notably, the relatively small Palestinian community seems well-integrated and contented.

Dependence on foreign manpower and a proportionate increase in manpower can only increase as Sheikh Khalifa determinedly pursues his policy of industrial diversification. Clearly, he will in no way be deterred by this consideration as he aims to create alternative sources of income—nor for that matter by the explosion which wrecked Qatar's first NGL plant last April. As early as 1969 Qatar's first fertiliser plant, now undergoing a doubling of capacity, began production using associated gas as fuel and feedstock. So, too, will the second NGL plant, the petrochemical complex and steel plant now being constructed at Umm Said, which will become a major industrial complex in the next two decades. Beyond these projects, meanwhile, Qatar's ambitions extend even further to light industry.

Criterion

By any criterion maximum exploitation of gas associated with production makes sense even if the economic viability, as well as social desirability, of major industrialisation may be open to question. However, as it relentlessly presses on Qatar can be assured that production can continue—together with the generation of vital water and electricity—long after the oil wells have run dry thanks to the existence of the enormous reserves of unassociated gas which are known to exist. It is too early to assess just how successful Qatar will be in sustaining economic activity and growth deep into the next century. At least, it can be said that Palgrave would be astonished by the transformation of the Emirate if he were to return to-day—and even more so in 20 years' time.

Economic expansion at a gentler pace

QATARIS AND foreign residents who lived through the economic boom which followed the oil price explosion of 1973-1974 have recently witnessed an extraordinary spectacle. Berths have actually been vacant at Doha port where waiting times at the end of 1976 were three months or more and extended to lesser, though lengthy, periods up to the autumn of last year. There could be no more vivid evidence of the levelling off in the rate of growth which reached its peak in 1976 rather later than in the other producing States of the Gulf.

The slow-down, undoubtedly, has been brought about deliberately by Sheikh Khalifa and his Government whose disbursements of oil revenue dictate almost completely the pace of economic activity, as well as 95 per cent. of export earnings and almost as much of the State's finance. Petroleum accounts, too, for over 50 per cent. of GNP. Application of the brakes gave a jolt to some in the merchant community as well as foreign contractors and consultants. Yet it would be a mistake to conclude that Qatar is in the midst of a financial crisis. Rather, having proceeded more cautiously than the other oil producing States and avoided some of the traumas experienced by them, Qatar has realised there are desirable limits to growth.

GOVERNMENT FINANCE
(QRm.)

	1973	1974	1975	1976 (provisional)	1977 (budget)
Revenue	1,719.7	7,318.8	7,134.7	8,810.8	8,948.1
Oil	1,615.8	7,052.9	7,623.3	8,262.0	8,138.0
Other	103.9	265.9	511.3	548.8	810.0
Expenditure	1,352.1	2,463.9	4,432.0	5,894.1	7,319.4
Current	1,128.5	1,829.6	2,942.8	3,315.8	3,827.4
(Grants)	(370.4)	(552.0)	(892.2)	(306.9)	(431.0)
Capital	223.6	634.4	1,489.1	2,468.3	3,492.0
Net lending and equity participation	183.0	999.3	1,766.8	2,134.4	3,721.0
Surplus	184.6	3,855.6	935.9	782.3	−2,092.3

Source: Qatar Government.

BALANCE OF PAYMENTS ESTIMATES
(QRm.)

	1975	1976
1 Merchandise trade	5,333	5,670
Oil exports (fob)	6,932	8,443
Other exports (including re-exports)	201	287
Imports (cif)	−1,800	−3,060
2 Services and private transfers	− 891	−1,378
3 Current account surplus (1 minus 2)	4,442	4,292
4 Capital and official transfers	−2,074	−3,031
5 Change in reserves (minus sign indicates increase)	−2,368	−1,261

Source: IMF Staff estimates based on information provided by the Qatari Authorities.

Policy

No official policy pronouncement was ever made but the decision to cool down the overheating was apparently reached in the summer. At the end of last July the Government suspended progress payments to many contractors, local and foreign. Concern about continued inflation—even though it has been running at a level much lower than the dizzy heights of 1975 (when a study by commercial banks showed it to be running at 43-4 per cent.) would have been one factor. Anxiety about revenue, as oil production plummeted in mid-summer before the realignment of OPEC's price structure, would have been a second and more important consideration. The Government probably believed that the time was ripe for a reappraisal of priorities.

In addition, the Ruler may have wanted to remind the local business community where the source of bounty and economic activity resides. Authority and fiscal control is still centralised and concentrated in the person of Sheikh Khalifa to the extent that even now he signs in person all cheques worth QR200,000 (nearly £26,600) or more. Moreover, planning, even down to the smallest project is his decision. Very much the chief executive, he has been cautious in the harbouring of and allocation of funds which are not, as some casual observers might suppose, particularly abundant or limitless.

In the wake of the oil price explosion Qatar, having been in the black to the tune of a modest QR184m. in 1973, recorded in 1974 a fiscal surplus of QR3.85bn. (nearly $1bn.) at the latest rate of exchange. This fell to QR935m. in 1975 and QR782m., in 1976. At the end of that year the Government's accumulated assets (excluding the reserves held by the Qatar Monetary Agency as currency cover) amounted to QR7.59bn., the equivalent of $1.92bn. at the exchange rate then prevailing.

The amount would have been significantly larger if it had not been for the grant aid extended to the Arab confrontation states following the agreement at the Rabat summit conference in 1974, and other assistance extended for the most part on a multilateral basis. The surplus was also reduced by subscriptions to various pan-Arab projects in which Qatar is participating. In the 1974-6 period grants and aid in various forms to about QR1.72bn.—about 13 per cent. of total spending and 7.8 per cent. of total revenue.

At the end of 1976 Qatar's declared reserves—those held by the Monetary Agency—were QR468m. and constituted only 6 per cent. of the Government's assets. After discounting gold holdings and Qatar's reserve position with the IMF, 50 per cent. of the balance was in deposit accounts and 46 per cent. in bonds of varying maturities. The latter is deployed by the Qatar Investment Board and is divided into a number of portfolios believed to number 10 in all, or funds, spread across a variety of currencies and handled by a number of foreign banks. The high proportion of bank deposits, however, shows that Qatar's accumulated assets, which are by no means large in terms of its rising current expenditure and development programmes, should be regarded as a cash reserve rather than as an alternative future source of income.

Last year a decline of 11 per cent. in oil production cancelled out the 10 per cent. price increase set by Qatar at the beginning of the year along with the majority of members of OPEC. This contrasted with a marginal rise in total OPEC output. Nevertheless, despite the fact that exports fell short of what had been expected the Government did not reduce the premiums on its quality crudes which are reckoned to leave them over-priced compared with the similar varieties produced by neighbouring Abu Dhabi.

Qatar also lost income from its NGL plant at Umm Said which was believed to have been bringing in a net profit at an annual rate of $30m. before it was destroyed by the explosion last April. The fertiliser plant predominantly owned by the state ran at greatly reduced capacity because of technical difficulties for the greater part of the year and can have made little, if any profit, despite its recovery in the last quarter.

Nevetheless, Sheikh Abdel-Aziz bin Khalifa al Thani, the son of the Ruler, who is Minister of Finance and Oil, says that in 1977, revenues of about QR9bn. (about the same as in the previous year) exceeded expenditure of about QR1bn. ($260m.). About 10-15 per cent. would have been transferred to increase the official published reserves handled by the QMA and the rest would have been added to the Government's unpublicised assets. The surplus contrasted with a deficit of QR2.1bn. forecasted in the budget.

As in 1976, last year's disbursements fell short of allocations in spite of heavy aid commitment and the payment of subscriptions to a number of pan-Arab organisations. In particular, the bulk of Qatar's $400m. contribution to the Gulf Organisation for the Development of Egypt would have been paid during the course of last year. As in 1976, domestic disbursements fell far short of funds earmarked for expenditure.

Last year, meanwhile, the Government borrowed in the international market for the first time, when last summer the $350m. syndicated loan was finally arranged by the consortium of banks including Chase Manhattan, the Arab and Morgan Grenfell Finance Company, First Chicago, UBAF, Wardley Middle East, Banque de Paris et des Pays Bas, Bankers Trust International, Lloyd's Bank International, the Kuwait Foreign Trading Contracting and Investment Company, and the Qatar National Bank. Of the total sum, $50m. has been allocated for Qatar's second NGL plant, $100m. for the extension to the existing fertiliser plant, $100m. to the petrochemical project, and $100m. to the steel mill. The total cost of the projects involved is something like QR5.42bn. ($1.4bn.). In addition, the Government will be going ahead with a replacement for the destroyed NGL 1. Overall, suppliers' credits are playing as important a role as the Euroloan.

Necessity

Qatar had contehplated raising $700m. Whilst the Government evidently had in mind easing future liquidity problems, it did not borrow out of necessity. Equally and probably more relevant was the question of establishing Qatar's credit standing and the policy that the companies concerned (three of them with minority foreign participation) who are the actual borrowers, with the Government guaranteeing the loans, should finance the projects out of their own cash flow. Sheikh Khalifa is also aware that in inflationary times it is cheaper to pay for expensive projects through credit rather than cash payment. As early as 1969 Qatar embarked upon the existing fertiliser plant, its first major hydro-carbon-based project utilising flared gas, on such a basis.

Mr. Issa al Kawari, Minister of Information, said: "Reports of delays in payments are groundless because we do not have any liquidity problems and contractors do get their money in due time." Indeed, cash is flowing to them again—even if there are some concerns undertaking work for the Government who were still awaiting fulfilment of obligations outstanding as far back as the last summer. At the same time Mr. Kawari rejected as "sheer speculation" the suggestion that the rate of state expenditure is slowing down. He pointed out that the budget for 1978 has been set at QR8.28bn., a rise of 13 per cent. over the QR7.32bn. estimated for last year.

There is a presentational aspect to Qatar's budgets and actual spending remains a somewhat obscure subject. However, analysis of even the published version shows that no new projects will be started during 1978. The latter has been reduced from the QR6.8bn. estimated for 1977 to QR5.16bn. The main priorities are electricity and water, housing for senior civil servants and the Ruler's Office — including the Industrial Development and Technical Centre which handles the funds for the big projects and is also responsible for diversification into smaller ones. Plans for an export refinery with a capacity of 150,000 b/d have been quietly shelved for the time being and there has been no more talk recently of an aluminium smelter. Sticking to essentials, Qatar is this year going to digest projects already in hand.

Determination to press ahea[d] with industrialisation at al[l] costs is fundamental despite th[e] great problems encountered b[y] the fertiliser plant, which afte[r] four years is at last operatin[g] at soemthing like full capacit[y] and the setback suffered wit[h] the NGL 1 plant which th[e] Government intends to rebuil[d] as soon as possible. Harnessin[g] and obtaining a return on ass[o]ciated gas being flared an[d] going to waste is an obviou[s] imperative. Sheikh Khalifa ha[s] made the decision that as muc[h] as possible should be utilise[d] for processin gas fuel and fee[d]stock in the state itself eve[n] though the viability of a pr[o]ject like the steel mill is ope[n] to doubt and the programm[e] faces the problem of manpow[er]. Going beyond heavy indust[ry] the Government is plannin[g] light industry in which it hop[es] the private sector will partic[i]pate. At present the ID[TC] with the assistance of Fren[ch] consultants, is studying pla[ns] for a range of projects cov[er]ing not only the processing [of] ethylene from the petroche[mi]cal complex and buildi[ng] materials (for which the lo[cal] market would indefinitely p[ro]vide a profitable outlet) but a[lso] foodstuffs and other consum[er] goods. Qatar already has a we[ll] established cement plant a[nd] flour mill.

Implications

Whatever the social and de[mo]graphich implications, She[ikh] Khalifa can pursue his ind[us]trialisation plans knowing t[hat] the State's economic future [is] not dependent upon the limi[ted] oil resources and the associa[ted] gas produced from them. [...] tapped are the non-associa[ted] gas reserves, in particular th[e] in the huge structure to [the] north-east of the penins[ula] which promises to be one [of] the biggest fields ever dis[cov]ered. These promise to prov[ide] Qatar with fuel and feeds[tock] for industry, as well as es[sen]tial requirements of water [and] electricity for a century or m[ore] ensuring the future of Q[atar] as a viable economic entity l[ong] after the oil wells have [run] dry.

Richard Jo[...]

BASIC STATISTICS

Area	4,400 square [...]	
Population		20[...]
Trade with U.K.	1976	1[...]
Exports	£249m.	£1[...]
Imports	£86.7m.	£1[...]
Currency: Riyal		£1[...]

ansi

pace

Business growth slows down

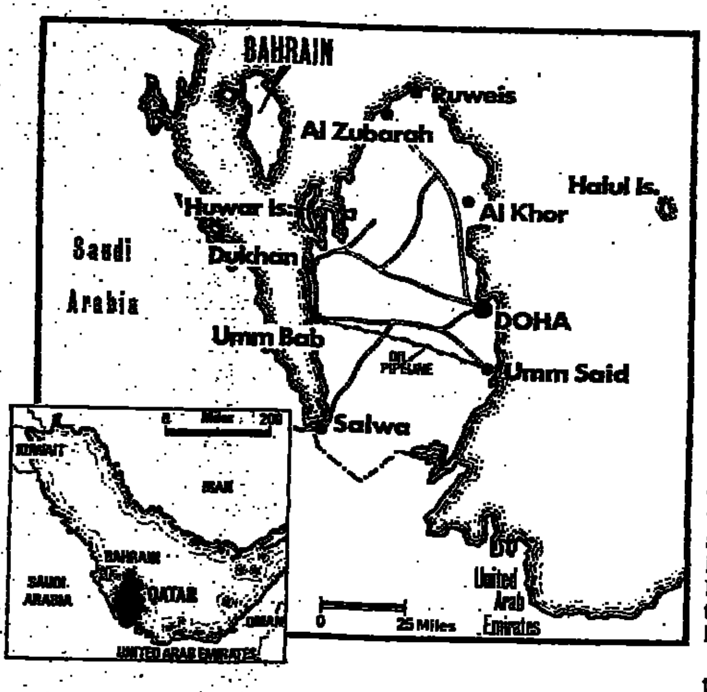
coming months of 1978 eems set to enter a slow growth, which in these days is referred ecession." In the past ths the Ruler has sub- cut back the rate of ent spending, for a of reasons discussed in ewhere in this survey. wn that he is anxious se closer control over his State is developing everyone else in Qatar, een worried about In- it it may also be that in State came alarmingly verspending.

er the reasons, the cut-back is certainly cause a dramatic n the growth rate of nports, estimated last ave been running at which some $230m. Britain. It may even terms of quantity, as to value, Qatar's 1978 will be almost sharp contrast to the 12 months ago, when e waiting for several re they could unload, ears that Doha port is somewhat below

well be that Shaikh ll come under pres- members of the nily to change his he al Thanis being more involved in han the other ruling of the Arabian Many of the furthermore, are in their business on land sales and on ssions they stand to representing foreign which the Govern- aling either as con- as suppliers of arms ems of equipment.

part the merchants, e some members of ni who have estab- lar businesses of a ype, seem content overnment's policies. they say that they l—which is a rather ing. In a state which ll and is still ruled in the traditional ople feel that it is business to express ism than they do in nal democracies of

land there are the es that merchants caught with big their hands, while found themselves y agencies or declin- le large-scale deals. ants will now have oser watch on over- ome, who were in a profit enormously hortages caused by he past three years, the passing of the fits once made in hotel accommoda- ng materials and But on the other s the consideration ding slowdown will of inflation, which cut the alarming h many merchants, ose involved in con- e finding that they h money back into their businesses. Overall it seems that, having made profits beyond the wildest dreams of six or seven years ago, most merchants are content to see a return to more normal conditions.



The slowdown of growth will serve to underline the fact that, despite its phenomenal per capita income and the amazing boom of recent years, in absolute terms Qatar remains a very small market. It is a striking fact that in six years from 1970 to 1975 inclusive, only 27,000 cars were sold in Qatar, which is less than one week's registrations in Britain.

Compensating

From the exporter's point of view, the major compensating factor is that Qatar is somewhat neglected by Western businessmen and is much less competitive than the other Arabian oil States. Furthermore (and in this respect Qatar is exactly the same as other Middle Eastern countries) companies will find that once they are established in Qatar they will retain a good slice of the market for years, regardless of whether their agent goes into a decline or their products are superseded by better models from competitors. This is because Arabs are strangely undiscriminating in their buying — being little inclined to make careful comparisons of quality and price—while at the same time being fantastically brand conscious.

To break into the market in the first place the exporter's priority must be to get a good agent, and it is worth taking some time over making the choice, because once signed up it may be very difficult to replace him. In particular the exporter must be aware of the ways in which the different trading groups are progressing: which merchant houses have lost their dynamism and are trading on their names alone; which new merchants give an outward appearance of having adopted Western techniques and being extremely energetic, while in reality the partners are not inclined to put in tedious routine hard work (this being a common fault among the younger generation who are often much more impressed by travel and by making deals than they are by administration): and which groups have taken on a lot of new agencies but have owners who are disinclined to delegate and so are being throttled by too many small decisions having to be referred to the top.

The process of making a decision is complicated by the fact that Arabian merchant groups seem to have rather shorter cycles of rise and decline than do Western corporations—a feature which ought to be predictable in a society which thinks and operates much more in personal than in corporated terms.

Among the bigger trading houses in Qatar at present, the dominant name is Ahmed Manai, who keeps a reasonably low profile but has a good, well-paid and loyal staff, and is generally long-term orientated in his approach to business. At present Manai is building a huge and very modern maintenance depot to service the GM models he sells.

Expanding

Two other fast expanding groups are owned by the young and energetic Shaikh Khaled bin Mohammed bin Ali, who has the Khaled Trading Company and KEMCO (the Khaled Electrical and Mechanical Company), and his uncle, Shaikh Ghanim bin Ali, who is known as a major land owner. Shaikh Ghanim, who like Shaikh Khaled is good at hiring able management and delegating responsibility, is building a shopping centre (for which Jashanmals, the Bahrain department store, has the management contract), and a Ramada Inn hotel. Apparently the hotel management company was particularly impressed by the fact that Shaikh Ghanim is the first man they have dealt with in the Middle East who has approached them having already carried out soil surveys on site.

Among the other well known Qatari names, Ali bin Ali, Shaikh Nasser bin Khaled and Jasim Jaidah are big and well established: Al Mana and Sultan Saif al Essa (running Al Nasr Trading) are well established, and in the former case very big, but not notably aggressive any longer: and Darwish, the name that virtually monopolised business in Qatar in the 1950s, while exerting considerable political influence as well, is now undergoing a resurgence after a period of decline. The original company, Kassem and Abdullah Sons of Darwish Fakhroo (owned by three brothers, Kassem, Abdullah and Abdel-Rahman) has been partially split, leaving Darwish Engineering, the Oasis Hotel, Qatar National Tours and the Darwish Travel Bureau with the original owners, Darwish Automobiles (Fiat) and Qatar Cold Stores with Abdel-Rahman, and the Modern Home department store with Abdullah. Kassem's company, Kassem Darwish Fakhroo and Sons, now has the trading agencies and has recently established its own mechanical and electrical sontractors and a prefabricated housing factory.

Apart from the basic requirement for a good agent, the keys to success in the markets of Jatar and the rest of the Arabian Peninsula are, first of all, delivery. Arab buyers are extremely impulsive. They will ask the agent if he has, say, a particular car in stock, and then if he hasn't will not place an order but will go away disappointed, forget the matter for a month, and then come in again with the same question. In other words, once people have made up their minds to buy something they want it immediately. If they can afford it, therefore, it pays to maintain large stocks (as Alghanim the GM distributors do in Kuwait), but if this is impracticable it is important that the distributor should at least be kept regularly stocked.

The other major requirement for success is a good service operation. In a severe climatic environment, where machinery will suffer from heat, dust and saline humidity, and in a society where people are not mechanically minded and will mistreat and neglect to maintain machinery, good service is vital. It is also precisely because people are not mechanically minded, and because merchants have traditionally shied away from making long-term investments in facilities as opposed to short-term investments in stock, that distributors tend to have very poor service operations. Agents that are exceptions to this rule, and principals such as Komatsu in Saudi Arabia who have established their own service operations, have invariably established leading market positions.

Another interesting aspect of the hostile physical and social environment is that the mechanical products that sell well are often those which are either cheap and discardable—as Arabians believe Japanese cars to be—or exceptionally strong, as are Mercedes vehicles. In Arabian conditions a small car driven fairly hard and frequently will last only a year.

Quite apart from their obvious practical importance, good service and delivery have to play a major role in the distributor's advertising, because until recently the only form of advertising, other than boards beside the road, was word of mouth. And even to-day, with a population which is not totally literate, relatively few and not particularly widely read newspapers, very limited time for advertising on television, and a large part of the market which does not speak Arabic, a product's reputation is still much more important than the formal publicity it is given. (This, of course, accounts in part for why a favoured brand will establish such a powerful position in the market, and retain its position for years in the face of superior competitors.)

This point, linked with the importance of good delivery and service, is well illustrated by the story of what is probably Qatar's biggest marketing success—Peugeot motor-cars. The story also shows that in a rather unregulated and freewheeling commercial environment such as Qatar, one can get away with practices which the authorities and the Press might take exception to in more developed societies.

Service

In 1965 and 1966 Oman Al Mana, the Peugeot agent since 1959, broke into a market dominated by Opel and Austin by building up a good service operation and a really large stock of spare parts. His company announced that should anyone bring their car in for service and have to leave it in the garage for lack of parts, that person would be paid QR80 per day. Naturally, the word went round the soukh that this was an idle boast: so although in most cases the company had the spares that its customers needed, it decided to keep a number of cars in its garage for longer than necessary just so that it would be forced to start paying customers their 80 riyals. The scheme was especially attractive to taxi drivers who would normally lose money when their cars were laid up, but who could now earn more in a day from Al Mana than they could from their normal business.

To reinforce its good reputation the company gave taxi drivers a bonus for introducing new customers, and began paying some of them QR200 per month in return for them stationing themselves at the airport and the hotels and giving their cars a good plug to possible customers. The taxi drivers were also kept well stocked with Peugeot brochures.

Thanks to these methods, and a delivery system which involved the cars being shipped to Latakia and then driven down to Qatar on the company's own transporters (rather than being shipped round the Cape), Al Mana gradually took over almost the entire taxi market. He was further helped by the fact that his mechanics were trained in Europe, that Peugeot cars were strong without being excessively expensive, and that they had a high ground clearance—which is now slightly less important in Qatar than it used to be. By 1970 the company had built up a 30 per cent. share of the overall market. And even to-day in the face of fierce competition from the Japanese, Peugeot retains an 18 per cent. market share. Most Government expatriate staff (including teachers and doctors) seem to buy Peugeots with the interest-free car loans they are given—and a lot of the taxi drivers have remained loyal.

Michael Field

Banks settle down

QATAR IS probably the last Gulf Emirate where the classic British banking system, complete with interbank agreement on interest and commission rates, still flourishes. But things are changing, albeit slowly. Change is being stimulated partly by competition from the growing offshore money market in neighbouring Bahrain, partly by the increasing role of the Qatar Monetary Agency in its glossy new building and partly by the evolution of the business community itself.

Competition from the 40 or so operating offshore banks in Bahrain has mostly been felt in the larger letter of credit business. As often as not the Qatari importer has been recommended to try a Bahrain offshore banking unit by his supplier, who may be a client of that bank at home. This has been especially true in the large capital goods field. It may result in rather more competition between Qatar's 12 banks after the new interbank agreement has been completed, approved and signed, probably before the end of this month.

Qatar's banks have also been involved in the recent exchange flurries in the Gulf currencies both before and after the revaluation. Speculation about a further slide in the dollar towards the end of January produced heavy selling of dollars into Bahraini dinars, then into Qatari riyals and finally into UAE dirhams before the three monetary authorities suspended their foreign currency buying operations. After the slight revaluation, which realigned the three currencies as one dinar—10 riyals or 10 dirhams and one dirham—one riyal, there was a further flurry of activity as money men took advantage of the varying interest rates between the three States, mostly buying riyals to lend in dirhams.

The 12 banks operating in Qatar include two Qatari banks, five regional banks, three British, an American and a French bank. A further licence has been granted to a group of Qatari nationals to start a thirteenth bank, but it is not known when, or whether, this bank will commence business. The Qatar National Bank is half-owned by the Qatari Government, and it acts as a fiscal agent and depositary for the Government. It does not have a monopoly of Government current account business though it does all the Government's commercial business.

The Qatari Insurance Company still has a monopoly of Government business, much of which is big premium business related to the country's oil and gas facilities as well as its growing heavy industry sector. While QIC takes over 70 per cent. of the total business, there are five agencies in Qatar: Arab Commercial Enterprises has an office, as does Arabia Insurance, National Insurance of Egypt, American Life and Atlas. It is unlikely that further insurance companies will set up in Qatar, although not all Qatari are happy with QIC's monopoly position, particularly for marine business. It is unlikely, too, that more foreign banks would be permitted (or want) to set up in Doha. "The margins are good enough to tempt an international bank" comments one expatriate banker, but another observes that the local banks could probably not compete.

Assistance

The Qatar Commercial Bank is wholly privately owned but managed under a technical assistance agreement with the Chase Manhattan, which was the lead manager for Qatar's recent $350m. borrowing. All the banks present monthly balance sheets to the Qatar Monetary Agency, which is gradually taking on more of the functions of a central bank. The QMA was set up in 1973 with the traditional powers of a full central bank. However, lack of both staff and premises has inhibited the agency from exercising its full powers. Until this year the QMA's business was confined to the issue and redemption of currency and the maintenance of its reserve of foreign assets, to the daily quotation of sterling and dollar rates and the compilation of some basic banking and monetary data.

However, the QMA has now moved into spacious new premises on the Corniche along Doha's waterfront and it is beginning to recruit more staff. Economists, statisticians and foreign exchange staff have been hired and more are to come. The agency has just started a clearing house for the banks and also offers them a central risk analysis. Every two months the local banks report their customers' liabilities (in code), the agency tots up the individual account's liabilities to all the banks and reports back.

Its founding law gave the agency powers to set reserve requirements, liquidity ratios, to determine interest rates and other conditions on loans and deposits and to impose credit ceilings on bank lending to the private sector. It also has the authority to audit and examine banks to ensure the soundness of banking practices in the community. However, until it is fully staffed, many of these functions are being handled by the Ministry of Finance.

As the banking business in Qatar is still relatively simple —and because the interbank agreement exists — it needs relatively little active supervision and management yet. Qatar is still very much a cash economy, one banker points out, and at the end of last year some $144.5m. worth of Qatari riyals were in circulation. Given an estimated population of 180,000 that means some $800 per head is lying around in houses and offices. The highest denomination note, at just under $130, is the most popular. There were about 650,000 of them in circulation at the end of December last year.

Bank lending to the private sector in 1977 increased by some 54 per cent. to reach $635m. The increase in 1976 was only 38.5 per cent. The slower rate of increase during 1976 (compared to over 49 per cent. in 1975) was the result of low demand for funds from the private sector. This was ascribed to two main causes by the QMA, first the advance payments made by the Government to contractors on various Government projects, and second to compensation payments made to Qataris after land purchases.

Different

The business picture during 1977 was quite different. The year started buoyantly, a spillover from the rash of development during 1976. Money supply increased during the first half but slowed in the second half of the year. Advances to the private sector took longer to slow down —and the port had its busiest (as yet unquantified) year since the oil price rise. The difference was due to the slowdown in Government payments in the second half of last year, partly ascribed to a desire on the Government side to reduce the rate of inflation, which was running at over 30 per cent. by the end of 1976. Leading bankers in Doha now put the inflation figure between 10 and 17 per cent.

Government payments are now coming through normally, depending on the priority rating of individual projects and on whether or not there are any queries outstanding between client and contractor. But bankers report that the business boom has died down and certainly the land speculation, which started in 1975 as development took off, has come to a virtual halt.

As part of its programme t[o] settle its people and ensure th[ey] are adequately housed th[e] Qatar Government has set u[p] a special lending fund admini[s]tered by the Qatar Nationa[l] Bank. Qataris can obtain up [to] $1.3m. interest free to buil[d] themselves a house. Quite a fe[w] apparently took advantage [of] this but then promptly let th[e] house to a foreign famil[y]. Qataris can also obtain a s[...] loan, at 4 per cent., for 15 year[s] to get themselves started [in] business. The rate for a prim[e] borrower is 7 per cent. and th[e] top rate is 9.5 per cent. Pa[rt] of the escalation in land pric[es] was also due to Governme[nt] offered compensation, which [in] prime areas can be as high [as] $280 a square foot.

And as elsewhere in the G[ulf] the land and housing specu[la]tion has resulted in a numb[er] of unlet properties, some [in] Doha still awaiting the conne[c]tion of various services. At [the] peak of the boom a thr[ee] bedroomed Western style vi[lla] could command a rent of a[bout] $3,000 a month. This is n[o] breaking but Qatari landlor[ds] are not compelled by the ex[ist]ence of bank loans to let at a [...] cost. Much of the property [is] likely to sit on the market u[n]til the next upswing in the busin[ess] cycle.

The private sector, ma[ny] bankers report, is getting bet[ter] at managing its money, w[ith] some of the bigger trad[ing] houses even having a treasu[ry] in fact if not in name. The [in]creasing professionalism [of] contract procedure in Qatar [is] partly responsible for this, a[s is] the increasing scale of busin[ess]. Companies that used to be [run] by a proprietor who kept [the] balance sheet in his ([...] usually pretty accurately) [...] hands, now employ accounta[nts].

Doina Thom[...]

New avenues of power

THE BIGGEST battery of the biggest turbines in the Gulf is being installed on a small spit of sand, Ras Abu Fontas, in Qatar to serve the smallest population of all the Gulf States. There are around 180,000 people in Qatar and the Government is spending $515m. in three phases to instal 12 turbines with distallation units to produce 600 MW of electricity and 40m. gallons a day of water by 1980.

In the next six months Qatar's director of electricity has got to add 95-100 MW to Qatar's existing power supply in order to meet the annual rate of growth in domestic demand. That is more than Qatar's electricity network supplied in the 20 years from 1952 when the first diesel generators were installed to 1972.

The Electricity Department is situated in front of this first power station, whose construction was commemorated by the creation of Electricity Street, downhill from Grindlays Bank and Cable and Wireless.

This rapid rate of increase in the power and water supply of Qatar is not only due to the country's increase in wealth after the oil price rise of 1973 but is also compelled by necessity. Qatar has no surface water at all and limited supplies of fresh drinking water from underground reservoirs. The growth in the water and electricity supply is the major constraint on all other forms of development in Qatar.

The patterns of electricity demand in Gulf States are quite different from those of the countries where the turbines are designed and made. In the industrialised countries peak demand is normally in winter when the temperature is lowest because the electricity is used for heating. In the Gulf peak demand comes when the ambient temperatures are highest as electricity is used for cooling. The variation in demand between the low point in winter and peak in summer is tremendous. Last summer Qatar's Electricity Department noted that peak demand was 237 MW. It had fortunately planned capacity to supply 250 MW, but the margin was uncomfortably close. The winter demand in 1976 was 50 MW. But since water is in demand all year round, although with an increase in summer, desalination capacity is inevitably related to the base demand. This inversion of the former norm places a strain on the turbines which have to be cooled—a difficult problem when the ambient temperature is around 48 degrees C. However, it makes for ease of maintenance in winter. There is a problem also with the underground cables, as the hard rock in which they usually have to be laid is not a very good disperser of heat. The cable trenches, therefore, have to be filled with material brought from elsewhere.

Qatar now has four power stations, three of varying ages, completed and working and Ras Abut Fontas with Phase I complete, Phase II nearing completion and Phase III just begun. Consultants for the Ras Abu Fontas power and water complex is the British partnership, Ewbank and Partners, who first came to Qatar in 1974, with Charles Haswell and Partners supervising the civil works.

The presence of Ewbank through all three phases of Ras Abu Fontas is one of the few consistent elements. The project as a whole reflects Qatar's catholic purchasing habits, which can also be seen in other State projects. The now complete Phase I of Ras Abu Fontas was started in 1975 when the joint venture between a West German contractor and a Qatari company Zueblin-Nasali started on the construction work. The turbines for Phase I were supplied by the West German firm Kraftwerke Union, but the associated distillation units came from the Italian SIR company. The two turbines are now producing around 100 MW, and the average production of each of the distillation units is 4m. gallons a day.

Capacity

The distillation system used is the standard "acid cleaning" one, and when a product called Belgarde EV is used as the chemical the distillers' capacity could reach 5m. gallons a day. The seawater intake pumps were supplied by the British firm Weir Pumps. The electrical work was done by the British contractor Parolle (Reyrolle Parsons) and the switchgear and transformers came from the Swedish company ASEA. (All the companies supplying Ras Abu Fontas have local agents.)

The distillation units are usually attached to the power stations in the Gulf because they can be powered by the waste heat from the electricity generating turbines. This raises the efficiency of the power station to 60 per cent. as opposed to the more normal levels of 30 per cent. And while the turbines are powered by gas or crude oil in an oil-rich State, efficiency of operation is still considered desirable.

The power generation part of Phase II at Ras Abu Fontas is scheduled for completion in August this year. Four further turbines are being installed, one of which is available for generation. The second is undergoing reliability tests, the third is being commissioned and the fourth is under construction. The turbines for Phase II were supplied by Mitsubishi of Japan. The factors influencing the choice of turbine supplier not only include price and reliability, but also availability—Ras Abu Fontas is on a very tight schedule.

The construction of distillation units normally runs about two months behind that of the turbines, and it is expected that the four distillation units of phase II should be ready by January next year. The units are being provided by Weir Westgarth, the seawater pumps by Weir Pumps, as before. The contractors for the rest of the work are the same as for phase I.

The completion of phase II will add 200 MW to the station's capacity and a further 20m. gallons of water a day. The distilled water is being blended with brackish water from underground wells in the south of Qatar to add a certain amount of taste before being put into the public water supply. The total cost of Phase I was $148m. plus, and the expected cost of Phase II is around the $240m. mark.

Work started on Phase III at the beginning of this year, with the South Korean contractors Daelim responsible for the foundations. This contract, at a rough value of $84m., was the first sizeable contract t[o be] awarded in Qatar to a So[uth] Korean company. It wo[uld] seem that Qatar, in comp[any] with the other Emirates [and] the Kingdom of Saudi Ara[bia] is looking to the Far East [for] certain contract work wher[e it] has become disenchanted [with] western contractors. The ta[rget] completion date for Phase [III,] the largest part of the e[...] complex, is 1980.

Phase III consists of six [tur]bines, each with a r[ated] capacity of 50 MW, and [...] distillation units with [...] capacities of 4-5m. gallons a [day] each plus two black start [tur]bine generators. Four of [the] main turbines are to be [sup]plied by Kraftwerk Union, [the] other two by Mitsubishi, [and] the two distillation units [...] from SIR of Italy. The [...] the necessary equipmen[t] being supplied by the same [con]tractors as before.

The 1978 State budget [pro]vided over $100m. for exter[...] the water distribution netw[ork,] the sewage works and [...]

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Towards better farming

:he improbable dreams of oil money, the ıgriculture in the arid of the Gulf seems the sable of all. The visi- ar flies in over a long nd and rock, which e north into the Gulf bles nothing so much oked side of a pan- yet from that un- soil come enough to meet the needs of nittedly small popula-

an 1 per cent. of 00 plus square miles ıltivation by a people :dition of agriculture, an 3 per cent. of the ltivable. Qatar's first al farm was set up in 960s, and the attempt the country self ı certain basic foods :t close to the heart Ruler, Shaikh Khalifa al Thani. Nowadays production is put at ,000 tons of fresh over 3,000 tons of animal fodder, and 6,000 tons of fruits he traditional date. bitants of Qatar consume more fresh per capita than the of the two main et garden countries. the Lebanon.

ent Qatari budget set $7m. for a variety of ojects, including the nt of pilot farms and guidance centres. oject is going ahead sector business is set up a yogurt re are also poultry rearing schemes. veying for possibly l has also been this year, as have the use of sewage d of well water for

tar's most successful the food industry is fishing company, joint venture with osidiary of Imperial e company, which of six trawlers, has ing for some nine its last year (end- y, 1977) exported h of shrimp, and net surplus for the ghly $400m. The of Qatar has a 15 ke in the company, er cent. and private olders take the rest.

Like its Bahraini sister company, it fishes along the coast of Saudi Arabia. Qatar National Fishing also, at the request of the Governments, operates one fishing vessel whose catch of lamour and other popular Gulf fish, goes straight to the local market.

Agriculture in Qatar is largely done on smallholdings to the north of the capital, Doha. These smallholdings are known in Gulf English as "gardens" and are regarded as such by their owners. The number of gardens reached a peak in 1975 of over 450 but has dwindled to nearer 270 to-day with an average size of 10.5 hectares. While the results of this market gardening seem more than admirable to the average Qatari consumer, its future in the present form is doubtful. The system of land tenure, land management and, most critically, water use are far from favourable for the future of agriculture in Qatar.

Study

The Qatari authorities are aware of this and in 1975 requested the United Nations Development Programme, through the Food and Agriculture Organisation of the UN, to undertake a study of the whole problem. Water is the major constraint on all development in Qatar and a report "Integrated Water and Land Use" has recently been presented to the Government. While the Government is investing in vast desalination capacity (linked to its electricity supply programme) it has limited and rapidly diminishing natural water resources. The Government is planning to reduce domestic consumption of this water, which is used to give "flavour" to desalinated water, and reserve its use for agriculture alone.

The conclusions of the FAO report, after setting out all the factors against successful farming in Qatar, are moderately optimistic. Work is now being done on the cost and time scales necessary to implement its proposals. Given better standards of land and water management, Qatar's food production could be considerably increased.

However, the owners of the gardens will have first to be encouraged to take farming more seriously, so that they will make the necessary investment in machinery and training to get better returns. It has been estimated that owners of relatively well managed gardens can get a return of about 5 per cent. on their holdings, which in no way compares with the returns from the traditional business of trading or the new business of property development. The ordinary Qatari has to date shown little interest in cultivation within his own backyard beyond perhaps a patch of alfalfa for the animals and the traditional date palm for shade as well as produce. Those who do own fertile land on any scale and so have grown gardens for themselves are largely weekend farmers. The gardens are used as a source of produce for the domestic table and as a place for Friday picnics and seem seldom to be thought of as a commercial enterprise.

The land is very seldom farmed by owners, and the same type of absentee landlord system as prevailed in Britain of the 19th-century exists to-day in Qatar. The gardens are either run by managers or, in the case of about a third of the total, by tenant farmers. The farmers are mostly Iranians and Palestinians (with one distinguished English public school exception) who employ around three to five labourers, mostly from the Indian sub-continent.

The land on which they work is scattered in a series of depressions (the brown patches on the pancake) which over the centuries have accumulated moderately deep layers of clayey soils. In their unused state these patches are quite fertile, but the Gulf style of irrigation, periodic flooding of the growing beds, together with the nature of the soil and the harsh climate, quickly exhaust the land. In the past gardens have simply been abandoned as their yield dropped because over-watering has made the soil saline. The rate at which gardens are abandoned is also influenced by economic activity elsewhere. Most of the labourers can get much higher wages in town during upturns in the construction cycle.

There is very little fixed capital on the average Qatari garden, although it must be pointed out not all forms of Western mechanical farming are suitable. The FAO study suggests the total value of plant and machinery on a typical farm might be around $35,000, just under $25,000 of that in machinery such as pumps, the boreholes themselves and small items of farm machinery. Virtually all investment on the gardens is made by the owners, with occasional assistance from the Government, and, unless the owner is particularly interested, the level of re-investment is fairly low.

Tenant farmers themselves do not usually have the spare cash to invest in new machinery or to make serious repairs, and there is as yet no formal agricultural landing agency. Imported farm equipment such as mechanical ploughs are highly expensive and, as with other forms of machinery in the Gulf, the spare parts service leaves something to be desired. In any case the farmers seldom have the experience to buy the correct modern machinery for their land. Add to this the relatively cheap labour from the sub-continent, and farming in Qatar remains a labour-intensive business.

The main crops grown at present in Qatar's gardens include tomatoes, carrots, onions, lettuce (almost all cos), radishes, cabbages, cauliflowers and beans. And if the produce in the vegetable market is representative of the gardens' output generally, these Qatari vegetables seem to be on an American scale, large and succulent. Other kinds of vegetables have been grown successfully on the experimental farm, but in some cases the Qatari public has yet to get used to them. These vegetables are produced over the winter months, and a variety of melons are grown in the summer. Experimenting with fruit trees continues, the grape vine seems to be able to adapt to the territory.

Lack of marketing knowledge on the part of the farmer, abetted by the personal whims on plantings of the landowner, make for seasonal shortages and gluts, leading to wide fluctuations in price and a consequently lower return per crop. Lack of local packing facilities prevents exporting from being a serious answer to times of glut, although Qatar does export some of its produce. Cultivation is limited to the October-May period because of the harsh climate; during July to September the temperatures can exceed 42 degrees C., with very high humidity levels, and these months follow on a period of constant, desiccating winds. The mid-summer heat and the salinity of the water combine to "burn" any produce that touches the ground.

Constraint

The absence or presence of water, and its quality, is the major constraint on Qatari agriculture. The country has no surface water at all and only a limited supply of fresh water underground, principally in the north although there are a few very brackish wells in the south. And since the mid-1960s Qatar has been drawing more water out of the ground than has been seeping back in. Peak rainfall is a little over 50 millimetres a year. The rapid rate of depletion of the northern reservoir in particular could accelerate its deterioration as drinking water. This particular reservoir is in the form of a "lens" which floats on a deeper reservoir of saline water; as the sweet water gets drawn off the saline water rises, but in much greater proportion.

It has been estimated that the cost of sweet water when pumped out of the ground is around QR0.05 per cubic metre, for which the Qatari farmer produces QR0.60-worth of vegetables or other produce. Qatar is now seriously having to think of the returns on its investment in water. The country is spending over $500m. on the associated power and desalination plant at Ras Abu Fontas, unfortunately rather far away from the main agricultural areas. Calculations have suggested that the use of desalinated water, injected into the underground reservoirs, would cost around around QR2.00 per cubic metre.

Part of the educational campaign that will be directed at farmers over the coming years will be to use less water. Drip irrigation will be one suggestion made to the farmers, though it, too, has its disadvantages (the capital investment needed, for one), as will the use of windbreaks to shelter growing crops and the use of trellises to keep plants from touching the ground. The general trend will be towards more intensive use of the land with concentration on low bulk, high value crops.

D.T.

Power

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further desalination units at Ras Aboud power station. Some $25.7m. was set aside for further work on the mains water distribution stations, extending the main pipelines from the desalination units and building dams and pumping stations. Completion of the Doha Um Said water pipeline was expected to cost around $5.4m. Some areas in Doha itself are still supplied by water tanker, and the budget allocated just under $13m. to expand water distribution with a further $2m.-plus for the construction of reservoirs at Ras Abu Fontas and Gharafa with associated pumping stations.

While Ras Abu Fontas was in its design and early construction stages, Qatar's first modern power station at Ras Abu Aboud, which is rather nearer to the capital of Doha, was expanded. Five package-type gas turbines were added to the seven existing turbines, which were producing around 100 MW. Construction work started in 1974 and was completed for the summer of 1977.

These basic projects were being carried out while the rest of Qatar's business was also expanding, with the consequent impact on the port at Doha. At its peak, waiting time outside Doha port touched 120 days, necessitating close co-operation between the port authorities and the managers of the Ras Abu Fontas project when priority ratings were decided.

Qataris in their own houses do not pay for the electricity they consume, and other users so far are paying on a flat rate per unit. The authorities, however, are considering a scale, particularly now that industrial consumers are being supplied with power. The industrial town of Umm Said, where the fertiliser plant is, as well as the NGL plant, and where the steel plant will be built, is on a different tariff. There were plans for Umm Said to have its own power station but this is now being rethought. The question being posed is whether a new power station should be sited near its fuel or near its users.

D.T.

Oil's limited life span

AS MUCH as any other producer—perhaps more so—Qatar is very conscious that its oil is a wasting asset. Thus, despite the growing squeeze on its financial resources, it has not been unduly concerned that its production in 1977 fell by rather more than 10 per cent. The decline was larger than that experienced by any other member of the Organisation of Petroleum Exporting Countries, which overall recorded a slight increase. As it happens, last year was the first during which Qatar enjoyed complete mastery of its oil resources. Some failure in marketing and the relatively high price of the onshore crude were certainly factors accounting for the reduction. Yet the Government appears to be less concerned about the level of output than the receipts for what was produced.

Qatar was the first other producer to join OPEC after it had been established by the five founder members in 1961. But it is a small one (already overtaken by the U.K. in volume terms), whose share of output is only about 1.5 per cent. of the cartel's total. Moreover, its proven reserves are strictly limited at about 5bn. barrels, according to current estimates—rather less than two years of Saudi Arabian production at its present maximum allowable. The life of the fields being exploited is set at little more than 20 years and offshore capacity will probably start declining as early as the middle of the next decade.

Thus, it is understandable that the immediate concern should be more the erosion in the purchasing power of each barrel than last year's fall in output. For political reasons Qatar may now be aligned with Saudi Arabia and the United Arab Emirates on the oil price front. Its feelings on this score were spelt out by Sheikh Abdel-Aziz bin Khalifa al Thani, Minister of Finance and Oil, in an interview with me earlier this month. He did not rule out Qatar itself calling for a resurrection of the short-lived "Geneva II" formula, which in 1972-73 adjusted the price of oil to a basket of currencies.

In 1977 output from Qatar's own fields ran at 430,000 barrels a day compared with some 480,000 b/d in 1976 and a peak of nearly 570,000 b/d in 1973, the boom year whose end saw the tripling of prices. Sheikh Abdel-Aziz said that the Government would like to see production of about 460,000 b/d, give or take a little, "within the range technically permitted to us" and "permitted by OPEC to us"—an echo of his call last year for a production programme and an indication that Qatar would be prepared to go along with such a plan, which would have the effect of supporting prices in the market.

In oil politics 1977 was both an honorific and a testing year for Qatar. Having hosted the December, 1976 conference, which resulted in the traumatic OPEC price split, Sheikh Abdel-Aziz, the young son of the Ruler, was President of OPEC for the year and took an active part in mending the breach last June caused by insistence of Saudi Arabia and the UAE on sticking to a price rise of 5 per cent. in contrast to the 10 per cent. decided upon by the others. More important, in February Qatar took full possession of its oil industry with the signing of an agreement whereby it acquired Shell's remaining 40 per cent. share in the offshore operating venture. In the previous autumn it had finally bought out the assets of the Qatar Petroleum Company, the former onshore concessionaire owned by British Petroleum, Shell, Compagnie Francaise des Petroles, Mobil, Exxon and Partex. It had taken 25 per cent. participation in the two operating companies in 1973 and raised its share to 60 per cent. early in 1974.

Holding

Under the supervision of the Department of Petroleum Affairs, the Qatar General Petroleum Company has responsibility for implementing the Government's policy. It is, in effect, also something of a holding company, owning the Qatar Petroleum Producing Authority, the National Oil Distribution Company, which is responsible for internal distribution, the Qatar Fertiliser Company (which has a foreign minority holding), the Qatar Petrochemical Company (86 per cent.), and the Qatar Gas Company (70 per cent.). Vested in it also are Qatar's shares in the Arab Maritime Petroleum Transport Company, the Arab Petroleum Pipelines Company (SUMED), the Arabian Shipbuilding and Repair Yard, and Compagnie Petrochemique du Nord, a joint venture with Cdf Chimie.

The Qatar Petroleum Producing Authority is responsible for oil producing operations which are divided into two sections, the onshore operations branch run by personnel seconded by the Dukhan Services Company and the Qatar Shell Service Company—in effect, the fomer concessionaires and, latterly, equity partners. This somewhat elaborate corporate device was made necessary so that the staff on secondment can retain their pension rights from the parent companies. Compensation paid, after protracted bargaining, more or less in line with net book value was $30m. for QPC and $18m. for She.

In practice, the agreement put the operators in a preferential position for supplies and gives QGPC a secure outlet for the greater part of its production. For their services in providing staff to operate the fields the deal gave the companies 15 cents per barrel at 1976 prices, with an escalation clause to cover future increases. This would mean that the QPC shareholders and Shell would be receiving 16.7 cents per barrel—the latter also getting the equivalent amount for NGL produced with its technical assistance.

About two-thirds of Qatar's reserves lie in the onshore Dukhan reservoirs, where production capacity from the three formations is up to 280,000 b/d. No expansion is in prospect, but development drilling is continuing together with a programme for water injection. A new system for gas re-injection now under implementation is scheduled for completion by the end of this year. QPPA's onshore branch is also engaged in exploring the potential of the non-associated gas field in the Khuff zone below the oil-bearing strata and will be responsible for its development. Associated gas was fully harnessed before the State take-over, although the natural gas liquids which were fed by pipeline to the NGL 1 plant—wrecked in an explosion last April—is now being flared again. However, the stripping plant located at Dukhan remains intact.

Proportionately, last year's reduction in output was greater onshore than offshore. Compared with the 235,000 b/d recorded in 1976, the average was just over 200,000 b/d, of which 192,000 b/d was exported with the balance being used in NODCO's refinery. The former concessionaire holders lifted the 130,000 b/d to which they were entitled under the takeover agreement but did not exercise the option allowed for them for another 40,000 b/d. Relatively inexperienced in the marketing business, the State corporation suffered one setback when Joc Oil, a Bermudan-based concern, pulled out of its commitment to purchase at the rate of 25,000 b/d. Notwithstanding the Government's conviction that the price differential for Dukhan crude is correct, the market regards the $13.19 per barrel set as putting slightly too high a premium on the good quality 41.5 API gravity oil with its 1.1 per cent. sulphur content. QGPC is evidently not being tempted to offer any discounts. Among the customers are known to have been Amerada Hess, Sumitomo, Charter, Gulf and, recently, Shell Oil of the U.S.

Capacity

At an estimated 1.6bn. barrels, recoverable reserves off-shore are about half those on-shore, but installed production capacity is considerably greater at 370,000 b/d from the three fields being exploited — Idd al Shargi (30,000 b/d), Maydan Mahzam (180,000 b/d), and Bul Hanine (160,000 b/d). Other "tight" reservoirs are known to exist, of which several have been drilled, yielding 3,000 b/d or so — small by Middle East standards but the average for U.S. wells. Development would depend on the price of oil and the development of new techniques. For the time being the big preoccupation of QPPA is the project for collecting the associated gas, transmitting it to the mainland and the construction of the separation plant. Shell is undertaking the programme on behalf of the Government having relinquished its 30 per cent. stake in the NGL II venture.

Compared with a production rate of 245,000 b/d for 1976, the offshore average last year was 230,000 b/d. Nearly two-thirds, or 145,000 b/d, was accounted for by Shell under the entitlement allowed in last February's takeover agreement. Other buyers of the heavier 36 degree API gravity, slightly more sulphurous crude were Mitsubishi, Union Rheinische, Amerada Hess, Sumitomo, Petrofina, and Charter. For 1977 Amerada Hess has dropped out, but Gulf has contracted to bu[y] another 15,000 b/d (reducing i[ts] offshore liftings by a simila[r] amount). Exports are runnin[g] at nearly 230,000 b/d durin[g] the first quarter and will i[n]crease in the second when Mi[t]subishi raises its commitme[nt] to 40,000 b/d in the secon[d] quarter.

Qatar also receives a ha[lf] share of the revenue d[e]riving from the Bundu[q] field which straddles the o[ff]shore median line and helps feed the Abu Dhabi (G[as]) Liquefaction Plant on D[as] Island. Under a complicat[ed] arrangement it is operated [by] Abu Dhabi Marine Areas [on] behalf of the Bunduq Com[pany] (owned by the Unit[ed] Petroleum Development Com[pany] of Japan, BP and CF[P]) who are partners in ADGL[C]. QGPC has no direct respon[si]bility for it.

Under a 30-year agreeme[nt] concluded in 1973 Wintersh[all], the West German concern, [has] been exploring a large 9,[...] square km area relinquish[ed] by the Shell Company of Qa[tar] in waters to the north and w[est] of Qatar. Having achieved ei[ther] disappointing results so far [it] is now drilling a third well w[ith] perhaps more hope of find[ing] substantial quantities of [gas] than oil. More recently Hok[...] a somewhat obscure conce[rn] took an 8,700 square km area [to] the east of the peninsula wh[ere] a Japanese concessionaire [had] previously found a small [field] rated at some 10,000 b/d w[ith] an extraordinary sulphur [con]tent of 30 per cent.

Dr. Taher Hadidi, a [dis]tinguished Egyptian geolo[gist] who is senior adviser to [the] Department of Petrole[um] Affairs, says that it will b[e a] year or more before estimate[s of] oil, as well as gas reserves, [can] be revised and calculated m[ore] accurately. Core Laboratorie[s is] undertaking a survey of Duk[han] on land while Scientific S[oft]ware has been contracted [to] assess the off-shore poten[tial]. Sheikh Abdel-Aziz is confi[dent] that more commercially vi[able] oil discoveries will be m[ade]. Yet, undoubtedly, it is to [gas] that Qatar must look for [the] generation of any substa[ntial] increase in future income.

Substantial gas reserves

LAST APRIL Qatar suffered the worst disaster to hit a gas-processing unit in the Middle East when its natural gas liquids plant at Umm Said was destroyed by an explosion. While the Qatar General Petroleum Corporation and the insurance assessors continue to argue about the extent of the loss, technical experts still have no precise idea about the cause of the blast that wrecked the facility. The mishap caused anxiety and misgivings to others involved in the industry, quite apart from the underwriting business.

As it was, since its start-up in 1975 NGL 1, as the facility was known, had been plagued by technical difficulties. Output this year was expected to run at only 38 per cent. of rated capacity. Yet assured of recovering the full replacement cost of $70-80m. (the range of the argument in terms of value) and with civil engineering work on the parallel facility called NGL II already having begun, the QGPC is pressing ahead with plans to build another NGL 1. Bids were invited in December and an award is expected early in the spring.

Like other petroleum producers Qatar is trying to make up for lost time in fully exploiting gas associated with oil output that has hitherto gone to waste. With NGL I on full stream, the by-product from the Dukhan onshore operation would have been utilised. At present all the associated gas offshore is going to waste. However, that is now being harnessed to provide feedstock for the Qatar Petrochemical Company's plant and natural gas liquids for NGL II. As a result of the loss of NGL I total utilisation last year was no more than 35 per cent. In five years' time there should be nothing left to flare.

In the meantime, as it pursues its drive to industrialise and generate alternative sources of income, Qatar can be reassured in the knowledge that it possesses considerable reserves of non-associated gas. Within the Dukhan field there are some significant pockets and below it probably a much bigger potential in the Khuff Zone. Most exciting of all are the prospects set by the North West Dome (which is actually to the north-east of the peninsula), where reserves are officially estimated at 72 trillion cubic feet.

Central

Associated gas can be produced from the Dukhan field at the rate of up to 250bn. cubic feet per day. It is gathered at a central plant at Fahalil where the dry gas and liquids are separated. The "lean gas" is distributed by pipeline as fuel for the power generation complex at Ras Abu Abboud (which has taken supplies since 1963), the Qatar National Cement plant at Umm Bab and the Qatar Fertiliser Company, for which it also provides the feedstock. The liquids, which were being fractionalised at the NGL plant at Umm Said, are once again being flared and are brightening the night sky over the Dukhan oil fields.

Full production capacity for propane, butane and natural gas liquids presupposed a total flow of gas amounting to 340m. c.f.p.d. The maximum rate would have meant, presumably, feeding into the system the unassociated gas reserves under the Dukhan field which are under development by the Qatar Petroleum Producing Authority's onshore branch. Ethane-rich gas separated from the methane was being flared but is destined for the Qatar Petrochemical Company's plant now under construction and scheduled for completion in 1980.

That will now have to come from the gas being harnessed offshore to supply NGL II. Achievement of maximum capacity of NGL II presupposes a supply of 240m. cfpd of asso-

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Petrochemical projects

[T]HE growing industrial [compl]ex at Umm Said, civil [engine]ering work has already [starte]d on the site of Qatar's [p]etrochemical plant, which [is sche]duled to start production [in 198]0. It is characteristic of [the E]mirate that it should have [gone] on regardless despite [the de]pressed market of the past [ye]ars. The commitment to [rai]se the return from oil [produc]tion and to diversify the [econom]y through the develop[ment] of hydrocarbon-based [industr]ies is as strong as ever. [Howev]er, despite the difficulties [that ha]ve plagued the fertiliser [plant a]t Umm Said, Qatar's first industrial project, the [Govern]ment has also embarked [on th]e expansion programme [which wi]ll double its capacity. It [should] be noted that the [Qatar]'s foreign partners in [its ve]ntures are not suffering [any pa]roxysms of anxiety.

[When] it started production in [1973 Q]AFCO was one of the [first in]dustrial ventures in the [Gulf to] use flare gas as a raw [materia]l. The partners remain [the sam]e, though there have [been ch]anges since 1969. With [QAFCO']s authorised capital now [standing] at QR142m., the Qatar Petroleum Corporation [in wh]ich the Government's [share w]as transferred in 1975) [has 70 p]er cent. of the ordinary [shares, N]orsk Hydro, the mana[ger of th]e plant and marketer of [its produ]ce, 25 per cent.; Davy [Power G]as, its designer and [builder,] 3 per cent.; and [the Qatar] Bank, 2 per cent.—[amountin]g in all to QR50m. In [addition] QGPC has subscribed [QR92m.] of redeemable prefer[ence sha]res.

Since the autumn QAFCO has been running at 80 per cent. to 90 per cent. of capacity and its "teething problems," which persisted in one form or other for nearly four years after start-up, seem for the time being to be over. The plant started with a number of advantages in the supply of cheap fuel and feedstock, the equity participation of the manager-marketer and designer-builder of the plant, and access to worldwide Nitrex sales arrangements. But its operations have highlighted many of the disadvantages of establishing and running sophisticated industrial projects in the Gulf.

An investment of QR 360m. gave a design capacity of 297,000 tonnes of ammonia and 330,000 tonnes of urea annually — with 198,000 tonnes of ammonia going to make the optimum amount of urea and the balance being sold in liquid form. In 1974, the first full year of operation, production of ammonia was only 40 per cent. of capacity and urea 21 per cent. because of the technical difficulties. Performance improved in 1975 to 47 per cent. and 51 per cent. respectively, despite water shortages and an irregular supply of gas because of the marked reduction in the flow of Qatar's oil (consequently also associated gas). In 1976 ammonia output was up to 163,500 tonnes (55 per cent. of capacity) and urea to 207,000 tonnes (63 per cent.). Last year, however, a serious breakdown in steam-heating system resulted in ammonia slumping to 127,695 tonnes (45 per cent.) and urea to 165,500 tonnes (50 per cent.).

Although inventories built up in 1975 as the market became depressed QAFCO recorded a net profit of QR32.6m. (after depreciation) in that year from sales of QR121.8m., and a modest dividend of QR21.6m. was paid. In the following year the greater part of production was exported but receipts were down to QR117.4m. because of lower prices. While mechanical breakdowns persisted there was an enormous escalation in operating and administrative costs with the result that the net loss recorded was QR16.9m. Financial results for 1977 are not yet available. But the prospects now look very much brighter.

Superheater

Installation of a new superheater brought production of ammonia to 85 per cent. of design capacity and urea to 90 per cent. in the last quarter of 1977, a level that has so far been maintained in 1978. The current price for nitrogenous fertilisers is now 20 per cent. above the low point at $130-160 per tonne according to destination. QAFCO says that not only has the stockpile of 50,000 tonnes accumulated at the end of 1978 all been sold but also estimated production for 1978 — which Norsk Hydro had been doubtful about selling on a forward basis with the record of the plant in mind.

For the Norwegian company, the appeal of participation in the project was the way in which it fitted with global marketing strategy and its proximity to the Far East, where most of the urea is sold.

Mr. Knut Anderssen, managing-director of QAFCO who is on secondment from Norsk Hydro, confirms that the big advantage is cheap gas—"at a defined price and a good one"—without revealing what it is. Like everyone else involved in industrial projects in the region, he acknowledges that maintenance will be a continuing problem. The big problem is to find qualified engineers, supervisors and operators with the right degree of experience. There are 50 Norwegians (280 in all including families and staff in their camp) out of a pay-roll of 700 staff of whom 140 are Qataris.

Corrosion was another problem that was not fully appreciated, says Mr. Anderssen. However, with the plant now running smoothly, QAFCO is now proceeding with the extension, which will double production capacity to 1,800 tonnes of ammonia and 2,000 tonnes of urea. This expansion, however, will only require an increase in manpower to 900-950. The second ammonia plant is scheduled for completion in November, 1978 and the new urea plant in March, 1979. Norsk Hydro has overall supervision for the construction, has entered into a management agreement lasting until 1994 and is also sole export agent for QAFCO. In return it receives a fee based partly on sales and partly on the operation's net income as well as a commission on invoiced sales.

Cost of the expansion has been set at QR936m., two-and-a-half times that of the first phase. Main contractors are Howard-Alattiyah (civil works), Davy Power Gas (engineering services and procurement services for the ammonia plant), Costain Process Engineering and Construction (ammonia plant construction), Chicago Bridge (ammonia storage) and Chiyoda Chemical Engineering and Construction Company (urea).

With a policy set in the direction of maximum utilisation of hydrocarbon resources it was almost inevitable that the Emirate would turn its attention to developing petrochemicals. The Qatar Petrochemical Company dates back to the agreement reached by the Government in 1974 with Société Chimique des Charbonnages (CdF Chimie) and Gasocean of France. With its initial capital of QR240m. the Government originally owned 80 per cent of QAFCO, CdF Chimie 15 per cent. and Gazocean 5 per cent. Gazocean pulled out when it became clear that Qatar wished to transform "first generation" ethylene produced locally into "second generation" products (although as yet no final decision has been taken as to how exactly it should be used). Under the rearranged corporate structure the State has 84 per cent. of the shares, held by the Qatar General Petroleum Corporation, and CdF Chimie 16 per cent.

Estimated cost of the complex is QR1.76bn. ($458m.), made up of a basic contract price of QR1.62bn., an escalation factor of QR40m. and an allowance for contingencies of QR100m. Main contractors selected by CdF Chimie are Technip of France for the ethylene plant, Coppee Rust of Belgium for the low density polyethylene (LDPE) unit, Turbomeca of Italy for the power and steam generating units, and JGC Corporation of Japan for the off-site facilities. The plant is scheduled to be on stream by 1980.

Design capacity of the plant is 280,000 tonnes of ethylene. It is planned that some 145,000 tonnes of it will be transformed into low-density polyethylene at a design rate of 140,000 tonnes but with actual output of 145,000 tonnes perhaps rising to 150,000 tonnes. Full capacity should be reached by 1983.

Balance

If the Government decides not to process the balance of the LDPE and go on a stage further with the manufacture of semi-finished products, it may market the ethylene abroad directly. Its future is currently being considered within the context of a study commissioned by the Industrial Development and Technical Centre and being undertaken by Serete, the French consultant, which is aimed at laying down Qatar's light industrialisation programme.

In the meantime an inevitable and, it is hoped, commercial by-product will be some 50-60,000 tonnes of sulphur annually extracted from the ethane-rich gas from the offshore fields that will feed the plant after being stripped of the lean dry gas component at NGL II. QGPC has agreed to supply at a "low"—but again unspecified price—some 380,000 tonnes annually of ethane and 27m. cfpd of residue gas to be used as fuel.

CdF Chimie is to operate the plant for an initial period of five years and market the LDPE for ten years. Apart from the sale of the licence of the process, another benefit for the French concern—somewhat comparable to Norsk Hydro's participation in QAFCO in that its location, much nearer to the big markets of Asia and the Far East fits in well with the company's marketing plans. Moreover, in an interlocking relationship QGPC has taken a 40 per cent. stake in Compagnie Petrochemique du Nord (COPENOR), which is building a petrochemical plant at Dunkirk. Fourteen Qataris are under training there, as the plant is under construction.

QAPCO will have an eventual pay-roll of about 600, with 60 of the staff on secondment from CdF Chemie. The intention is to employ as many qualified Qataris as possible. Most of the engineering, supervisory and technical expertise will come from Egypt, Jordan and Syria, with serious recruitment beginning this summer. Echoing his counterpart at QAFCO, M. Charles Rouxel, general manager of the company, stresses the importance of finding personnel with sufficient experience to maintain the plant properly. His company seems to take a cautiously optimistic view of the commercial prospects for QAPCO at a time when the market is depressed and price warfare in petrochemicals is the order of the day.

He, at least, believes that the best time to invest in new capacity is at the low point of the supply-demand cycle. While CfD Chimie hopes that the process for LDPE (currently about $500 per tonne) will rise, the cost projections appear to have made no rash assumptions on this score. According to other sources, these show that after a loss in 1981 of about QR60m. The project should be in the black thereafter showing a gross profit of about QR170m. in 1985 from sales of QR630m.

In petrochemicals Qatar has taken a bold step where other oil producers of the Gulf states are hesitating. In terms of competition its incisiveness, born out of resolution, may pay extra dividends in the long term.

For QAPCO, as with its other heavy industrial projects, the manner in which Qatar has involved international expertise in equity participation, as well as management and marketing responsibility, should help make them viable. But an adequate return can by no means be assured.

R.J.

Gas

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ciated gas from Bul Hanine, Maydan Mahzam and Idd el Shargi fields, compared with a rate of about 250m. cfpd generated by current rates of oil output. By 1985, however, it is reckoned by QGPC that, with the start in the decline in production of those fields and the need for more gas re-injection, the amount available for NGL II will only be about 190 cfpd. The balance required can easily be made up from small pockets of non-associated gas offshore at no great extra cost.

Originally, Shell was to have been a partner in the QR1.70m. ($425m.) venture with a 30 per cent. share in the Qatar Gas Company. At the end of 1976, however, it pulled out because it could not be guaranteed the return on its proposed investment that it wanted. But its affiliate, Shell International Petroleum Maatshappij BV (SIPM), remains as technical adviser to the project responsible for design, specifications and materials. Actual cash flow projections show the project breaking even in 1979, making a small, gradually increasing profit thereafter until 1985 when, with all loans and suppliers' credits amortised, the surplus will leap from QR106m. in the previous year to QR250m.—a 14.6 per cent. return on capital invested.

In any such projection, of course, certain assumptions have to be made. For Qatar's NGL II they are that annual output will be 85 per cent. of capacity for LPG and 97 per cent for natural gasoline from 1980 onwards; a unit price of $130 per ton for LPG and $120 for natural gasoline, rising annually at a rate of 3 per cent., and operating costs at 5 per cent. of total investment with an escalation of 6 per cent. each year. The last was based on the experience of NGL I. The NGL II was designed to match NGL I with a full capacity of just over 400 tons for propane, together with nearly 330 tons for butane and natural gasoline.

The reconstructed NGL I is expected to be a twin running in harness with it and as one plant employing 250 people. Main contractors for NGL II are the Mitsubishi Corporation for the offshore gathering system and transmission equipment (a QR 636m. award); Saipem S.p.A. for the pipeline from the offshore gas field to the mainland ($23.7m.); and the Mitsubishi Corporation and Chiyoda Chemical Engineering and Construction for the onshore processing complex ($67m.).

The existence of the Khuff zone gas reservoir below the Dukhan oil fields has been known for many years. No one as yet is prepared to put a price estimate on the reserves there—though it is said to look "promising." Nevertheless, a number of wells have been drilled and 11 will be ready to transport 150m. c.f.p.d. of the non-associated gas to the Qatar Steel Company's mill in time for its scheduled start-up in April. The pipeline carrying it will also connect with Ras Abu Fontas near Wakrah where the new power generating facilities will absorb more later. The gas is dry and suitable for the steel mill, but none will be mixed into the system distributing associated gas from Dukhan because the fertiliser plant would not be able to accept the high level of nitrogen in the Khuff gas. With a relatively low calorific value the latter is suitable for fuel but not feedstock.

Asset

For the longer-term future Qatar's greatest asset must be the North West Dome. The official estimates of reserves there sand at 72m. trillion cubic feet, as Sheikh Abdel-Aziz bin Khalifa al Thani, Minister of Finance and Oil, confirms. On the one hand, oil men with characteristic professional caution put the chance of that amount at "50-50". On the other hand, Dr. Taher Hadidi, senior adviser at the Department of Petroleum Affairs, says that one can now talk in terms of 100 trillion cubic feet, which would clearly place it among the biggest fields ever discovered. He estimates that at vessels required to transport it to an export market—assuming that the Government's intention would be to sell abroad an asset whose value is only likely to appreciate in the ground. Dr. Hadidi, however, is the first to admit that much more appraisal is required before its extent can be more precisely ascertained. Despite the survey work so far undertaken and the wells drilled, the sheer extent—700 square miles—makes precise assessment difficult at this point.

Beyond that there are the exciting possibilities raised by the fact that the North West Dome is at the high point of a structure that curves down through the whole length of the Qatar peninsula. As yet no well has been drilled down to the Khuff Zone into the onshore part of what is known as the "Qatar Arc." At the very least, however, it can be said that Qatar's long-term future as a viable and prosperous entity depends on its gas resources and could be ensured for a century or more by then.

R.J.

New steel for export

NEXT MONTH will see the commissioning of the Qatar Steel Company (QASCO) mill at the Umm Said industrial centre south of Doha. The mill will be the first heavy industrial export-orientated plant conceived since the 1973 oil price rises, and almost the first plant of this type to come on stream in the Arabian Peninsula as a whole. Together with Qatar's other big industries—two fertiliser plants (one on stream and another under construction), a natural gas liquids plant and a petrochemicals plant under construction, and a liquefied natural gas plant now being studied—it is intended that the steel mill will be a major contributor to the Government's revenues in the second half of the 1980s.

Unless the Government is to find itself becoming dependent on Saudi aid, these heavy industries are going to have to yield profits and foreign exchange for Qatar, because the State's oil production has already reached a plateau and it will not be very long before spending will unavoidably exceed the level of oil revenues.

The basic details of the Qatar Steel Company are summarised quite easily. The company is owned by the State along with Kobe Steel of Japan (20 per cent.) and Tokyo Boeki (10 per cent.). Kobe has a turnkey contract for the design, engineering, equipment supply and commissioning, plus a separate eight year management contract. The actual building and civil engineering work is being done by the Taisei Corporation of Japan, and the marketing of all steel not used locally will be handled under a ten-year contract by Tokyo Boeki. In total the plant, which has been designed with an emphasis on labour-saving, should employ about 1,000 men, of whom approximately 100 — mostly Bangladeshis with a smattering of Qataris—are now undergoing training in Japan.

Once it is fully operational, in 1980, the mill will consume 600,000 tons a year of iron ore pellets—initial contracts have already been concluded with Brazil and Sweden. From the direct reduction "Midrex" process that this will go through it will produce some 400,000 tons of sponge iron. To this will be added 100,000 tons of steel scrap (though the ratio of scrap to sponge iron may be changed in the light of operating experience), which will be bought on a spot basis from the U.S. and Australia. Also added will be small amounts of ferro-manganese, ferro-silicon, lime (bought from the Qatar Cement Company) and clinker. These materials will be fed through two electric arc furnaces with a combined capacity of 416,000 tons a year. In turn the molten steel that emerges will go through two continuous casting machines, which will produce steel billets, and most of these will then be fed through a rolling mill which will produce different sizes of reinforcing rods (referred to as "bars") for construction purposes. Because there is obvious added value in producing rods rather than billets, the company will aim for 100 per cent. of its sales being in the form of rods.

The eventual output of rods/billets is supposed to run at 386,000 tons a year. This figure, together with all the output and capacity figures in the preceding paragraph, is based on a year being 330 days—it having been worked out from experience by Kobe, as by most operators of heavy industrial plant the world over, that some 35 days a year will be required for maintenance and repair work. Also taken into account in formulating this 386,000 tons figure is that 30,000 tons of steel will for technical reasons have to be cut from the ends of the billets and fed back into the furnaces. It is this that accounts for the difference between the furnaces' capacity of 416,000 tons/year and the final product of rods.

In the final, marketing, stage it is reckoned that about 30 per cent. of output will be consumed locally and that the rest will be exported to neighbouring countries — principally Saudi Arabia and Abu Dhabi. Because of the much lower transport costs, Qatar's steel should, on paper, be able substantially to undercut the price in Saudi Arabia of steel imported from Europe or the Far East, but in a recent interview a senior Qatari official, Said Mishal, the director of the Industrial Development Technical Centre, said that he feared that the big industrial powers were about to make the Gulf a dumping area for steel as part of their "policy" of preventing the development of the Third World as a whole.

Given the advantage that Qatar's steel ought to enjoy in the market—in the absence of any dumping operations — the economics of the QASCO plant look quite rosy. Temporarily leaving aside the questions of repayment of loans and interest charges, the operating accounts of the plant run roughly as outlined below. These calculations are roughly those used in the prospectus issued last summer, when the Qatar Government raised a $350m. loan for the steel mill and other heavy industrial projects. The figures are supposed to represent average prices and costs over the duration of the loan—up to 1984—and in practice they are bound in some cases to be wide of the mark. In particular, the assumption that labour costs will be only 120 per cent. of the levels obtaining in 1976 seems optimistic for Qatar.

On the basis that iron ore pellets will be costing about $50 per ton and steel scrap about $100 per ton, the annual cost of the major raw materials will amount to some $40m. On top of this there will be $47m. of other costs—minor raw materials, labour, spares and maintenance, gas (which at 20 cents per million BTU is very cheap), water (expensive at $2.50 per 1,000 gallons), electricity (at a fairly standard cost for industry of 1 cent per kWh), port charges and a site rental at a rate yet to be decided, and finally depreciation at $12m.—assuming that the construction cost will be depreciated over 20 years. In total costs will amount to some $87m.

Revenue

On the revenue side it is calculated that 331,000 tons/year of rods selling at $310 per ton and 55,000 tons of billets being exported to re-rolling mills elsewhere in the region at $200 per ton should between them bring in $115m. This would give a profit of $23m., of which $16m. would accrue to the State. Once cumulative profits have reached the level of the initial capital investment, they will be liable for tax, which will mean that there will be a minor increase in the State's share overall.

As far as the net foreign exchange benefit to Qatar is concerned, nobody has made any calculations officially—in fact, because of all the positive and negative spin-offs throughout the economy over a period of years, such a calculation would be almost impossible to do accurately. However, bearing in mind both actual exports and the saving on imports, and taking into account remittances of foreign labour, the cost of spares and the foreign partners' remittance of their profits, it can be worked out that from the steel plant alone (ignoring spin-offs) Qatar will benefit to the tune of very roughly $65m. This figure is about the same as the annual revenue from 15,000 barrels a day of oil at current prices.

In practice the State cannot expect to receive these benefits —in terms either of profits or of foreign exchange—from 1980, the year in which the plant should reach full capacity, because there are first a number of loans to be repaid. The financing of QASCO has been made up of $50m. of capital, $70m. of Government loan, $60m. of supplier credits and the steel plant's $100m. share of the Government's $350m. Euro-loan. Repayment of the Euro-loan is due to finish in 1984, and the supplier credits and the Government loan should be repaid around the end of 1986. But the profit figures given above, which together with the sum set aside for depreciation represent the amount available for debt service, will be insufficient in themselves to make all the repayments according to this schedule. This means that QASCO will need additional financing for its debt servicing, which, with further sums required for "additional developments" of various sorts, will have built up by 1984 to some $125m. The first instalment of this new financing, which will make available something between $70m. and $100m. later this year and in early 1979, is now being negotiated. Assuming that the company pays off these new debts as soon as possible after 1984, it will begin to yield its full revenue potential to the Government in about 1988.

If the steel mill performs as well as all the calculations above suggest, the Qatar Government will have cause to be very pleased indeed. In the past the heavy industries of the Arabian Peninsula—and not least Qatar's own fertiliser plant—have performed very badly, for a combination of reasons. These have been to do partly with technical problems (caused by the very severe physical environment more than anything else) and partly with bad luck in the way the markets have moved. After four years of operation, it is only now that the Qatar fertiliser plant is starting to perform as originally planned.

It is therefore probably rather optimistic to plan on the steel mill reaching almost full capacity next year and full capacity in 1980, and any serious shortfall in performance could radically affect the date on which the Qatar Government can start hoping for a major contribution to its revenue from the plant.

Michael Field

Urban development

DOHA, THE capital of Qatar, must be one of the most planned for towns in the Gulf. Two all-embracing town plans have been drawn up, one for the existing town and one for new urban development on reclaimed land to the west. Roughly half the population of Qatar lives in and around Doha, about 95,000 people. Most of the development to date has been in private housing at one end of the scale and grand Government buildings at the other.

As Doha did not suffer the sudden rash of development spending that hit the other wealthy Gulf states, and therefore did not experience an immigrant population explosion as they did, the town is changing very gradually. The impression of gradual change is helped by the fact that the town has a very definite skeleton which holds it together. This skeleton is formed by the three ring roads and the Corniche running along the waterfront. Most of the grand office buildings are being constructed along the Corniche, one is finished and the others are very near completion.

The consultant with overall responsibility for the planning of the existing town is the British partnership Llewelyn-Davies, Weeks Forestier-Walker and Bor. The general idea is to maintain a mixture of residential and commercial accommodation in the centre of town: the consultants have drawn up regulations to control construction which are enforced by the Ministry of Municipal Affairs.

One of the most ambitious private sector developments, a shopping centre, is sited in the predominantly residential outer area of Doha on the outer ring road. The development is by Shaikh Ghanim bin Ali al Thani who is building, at an estimated cost of $8.5m., 80,000 square feet of mixed retailing space in a one storey, cruciform shape. It is without doubt the most modern retailing complex in the Gulf, stocking all the lines normally expected of a department store (except furniture) but majoring on food.

The design of the Doha Centre —its official title, though more popularly known as Shaikh Ghanim's new souq—is by the British design consultancy, Fitch and Co., which is also responsible for the interior. One entire "arm" of the building, around 20,000 square feet, will be given over to food retailing in the form of an up-market supermarket.

The Doha centre is being built by MidMac and it should be ready for trade by the end of March. It will be managed by the Jashanmal group, which runs ten department store style shops in Kuwait, Bahrain and the United Arab Emirates. However, the group has no financial stake in the Doha store, the first time in its 60-year trading history that the Jashanmals have taken up a management only contract.

Close to his new superstore, Shaikh Ghanim is also putting up the first of Doha's new hotels, a Ramada with 350 bedrooms at a probable cost of $46m. Doha has always had an acute shortage of high quality international standard hotel accommodation, which even the doubling of the Gulf and Oasis hotels' rooms did little to assuage.

The West Bay development has been on the planners' books for about three years. The first planning document, complete with coloured maps and diagrams, by the American consultants William L. Pereira Associates, is dated December, 1975. The reasoning behind the creation of what is virtually to be a new town on new land includes the difficulties of upgrading an existing town with complicated land ownership patterns. Compensation for land acquired in central Doha has risen as high as $260 a square foot.

Qatar's 1978 budget set aside some $237m. for housing of all types, $44m. for the completion of popular housing already under construction, as well as the beginning of a further 2,000 houses, and around $110m. for Government employee housing in Doha, UmmSaid (the industrial town), at the two power stations and in two regional centres. There is a 10-year plan in existence to construct 300 houses a year and a shorter term plan for 2,600 houses to be system-built over the next three years. A pre-casting plant for concrete panels has been set up by an Italian company to complete this contract, and it has been estimated that each house, about 190 sq. m. in floor area, will cost around $54,000.

Applicants

Since 1965 the Engineering Services Department, which is responsible for the physical construction of the houses, has put up some 6,000 dwellings. Applicants for the model houses numbered just over 1,000 in 1977; and there were 621 applicants for free houses. The model houses are those built by the Government for junior staff and below; senior staff are given land and a housing loan to build as they please. The Government's housing loan scheme, whereby any senior Qatari Government employee can obtain a loan of up to $129,000, interest free, to build his own home, is administered by the Qatar National Bank.

Probably the most urgent public project for Qatar is the development of a new airport to replace the existing facilities which have become badly strained by the growth in traffic since 1973. A subsidiary of George Wimpey, Wimpey Asphalt, has just won the $11.6m. contract to resurface the runways of the existing airport. At one stage a completely new site for the airport, further from the town, had been chosen and work continues on this site. But for the present the Qatar Government is refurbishing its existing airport, and Darwish Engineering, a local Qatari company, is constructing a new VIP building, while new arrivals and departures lounges are being designed and contracts should be awarded later this year.

Last year also saw Doha's major road network nearing completion. Phase one of the road to Umm Bab (where the cement plant is situated) was completed, as was phase two of the road to Umm Said and certain roads within Umm Said town and industrial area. It is expected that phase two of the Umm Bab road will be completed very shortly—Qatar is now almost completely linked into the Trans-Arabian Highway network, permitting traffic by road down to the United Arab Emirates as well as into Saudi Arabia and so, eventually, through to Europe.

D.T.

Dreams of an Irish condominium

BY GILES MERRITT in Dublin

O SURRENDER" is the tle cry of Ulster's militant alists, and in the wake of the visional IRA's massacre of people in the La Mon Hotel bombing outside Belfast last lay night it is a chant that ice more growing in volume. r six months of comparative the Provo campaign of orism in the Province has itensified and Mr. Roy on, the Northern Ireland etary, must be weighing the ices of a Protestant para- tary backlash that could k off sectarian warfare.

e worsening security pic- also has political implica- . On one level—the more ghtforward one—it means a cning of Unionist intransi- e. On another, more subtle it is a forceful reminder British policy in Northern nd cannot be allowed to In the short-term, the gence of IRA violence fore makes discussion of a cal settlement much more ılt, but in the longer-term kes it more vital.

at, at any rate, is the view being expressed by a cross- n of non-Unionist politi- in Ireland. In recent weeks guely sensed interest in a of federal solution has nly crystalised into formal ations by four major par- the Republic and Ulster the issue of federal re- ation will be actively ned. The Fianna Fail nment of the Republic is dy the idea, with a view oducing a White Paper: he Fine Gael and Labour ition Parties are to draw icy documents centred on lism; and in Ulster the Catholic Social Demo- and Labour Party is still g its own proposals for rated 32-county Ireland. er's three Unionist parties ot yet taken much notice of this phenomenon. Their eyes are fixed on the coming British General Election and the possibility of a Conservative Government which, they feel, might be more sympathetic to them. At the same time, they also feel fairly secure with Mr. Callaghan in power, for his Government has brought them the prospect of Ulster's Westminster representation being increased from 12 to 17 seats and credible reassurances that there is no question of military or economic withdrawal.

Little heed

The Unionists may therefore continue to pay little heed to the federalists' bandwagon as it begins to roll faster in the Republic during the coming months. But it is precisely the more comfortable relationship of the Unionist MPs at Westminster with the British Government which for the following reasons is fuelling support among all but the Unionists in Ireland for an equitable federal solution:— Integration of Northern Ireland into the British political system is, of course, anathema to the anti-partitionist Fianna Fail Government in Dublin. But increased representation giving the Unionists greater bargaining power at Westminster—and making British policy on the Irish question even more vulnerable to the needs of Government whips—is creating growing resentment elsewhere.

It was no accident that Dr. Garret FitzGerald, leader of the Fine Gael Party and formerly Foreign Minister in the Cosgrave Coalition Government, who had insisted Britain must remain in Ulster for the foreseeable future, changed his tune last week. Announcing that his party is undertaking a "shadow White Paper" based on examination of a federal system, Dr. Fitzgerald said the aim was to find a solution that would enable the Irish people, meaning *all* the 4.5m. people in Ireland, "to govern themselves without any involvement by Great Britain in Irish affairs."

The smaller Irish Labour Party announced that it, too, is reviewing its Northern Ireland policies in a similar light. And the SDLP arguably rekindled all this interest in the federal option with its publication last year of the "Agreed Ireland" document that eclipsed its commitment to power-sharing in an internal six county settlement. To these four parties, which represent almost 80 per cent. of the island's voters, must be added the not inconsiderable lobby for an independent Ulster. For if, in their federal proposals, the southern parties can come up with suitable guarantees for Northern Ireland's self-governing autonomy the supporters of independence might well side with them.

The emergence of a pro-federal front in Ireland is a significant development. It might seem easy to dismiss it by pointing out that all four political parties involved are Catholic and that it merely underlines the sectarian nature of the Ulster problem. But it is the first time that the two main parties in the Republic have begun to signal a common approach to Ulster.

On the detailed aspects of federal re-unification the two probably disagree more than they agree. Mr. Lynch is less the architect of a southern takeover of Ulster than is thought, but he remains sticky on the subject of amending the Republic's constitution. Persuading him to drop the south's constitutional claim to the whole of Ireland should be easy enough, but liberalising its strictures on divorce, contraception, abortion and adoption would be more of a problem. Dr. FitzGerald, in common with more progressive elements of the Catholic Church itself, believes the time has come for a new constitution that would allay Protestant fears. The Protestant Church of Ireland has called for a similar "Charter of Rights," while in the North the SDLP leadership has lately been insisting that southern politicians must speedily clarify the guarantees they would offer the Unionist majority.

The sizeable hard core of Ulster Loyalists will naturally ignore all these blandishments, but there is a growing moderate centre in Northern Ireland that at least appears ready to listen to a serious proposal from Dublin if that would end the killing. A poll last month showed 47 per cent. of Northern Protestants favoured a special relationship with the South.

Just as much to the point, the combined support of Fianna Fail, Fine Gael and Labour for federalism could have a formidable effect on the situation, and on international opinion. The two main parties are, after all, the two sides that fought the 1922-23 Civil War over acceptance of Ulster's creation. If after almost 60 years they make common cause on federalism it will be harder for Britain to insist that Ulster is an internal U.K. problem — especially if the Republic's somewhat woolly "legitimate aspiration" to re-unification is transformed into a set of concrete and reasonable proposals.

Just what form of federalism is under discussion? At the moment there are many more questions than answers, but in the first place it is worth noting that "federal" is a misnomer. A more accurate constitutional description would be condominium, for there would be a protracted handover period during which Ulster would be the joint responsibility of London and Dublin. Britain would also be expected to guarantee Northern Ireland financially — not just during the constitutional interim but during the ensuing harmonisation period while the economic and social services structures of a federated Ireland were bedding down.

Britain should, it is argued, thus subsidise a federated Ireland for some 15-25 years. But the federalists' argument is that even if that meant annual cash transfers of, say, £750m. at to-day's prices, British taxpayers would find it cheap at that price. The British subvention that currently balances Ulster's dwindling tax receipts with rising public spending is about £1bn. a year now and in the coming financial year will be heading toward £1.5bn. The suggestion is that the British would *prefer* a fixed sum to the present open-ended commitment to shore-up Ulster's snowballing deficit.

British cash

Without British cash, however, the federal plan would find few takers even among Ireland's staunchest nationalists. Although the Republic is now embarked on an economic boom, and is aiming for a dash for growth that by end-1980 will have pushed annual GNP up 40 per cent. to nearly £8bn., it cannot on its own afford any type of re-unification. It has been calculated that if Ulster's U.K. levels of social spending were reduced and Ireland's increased, so that the two met in the middle, the Republic's tax burden would be increased by 60 per cent.

In this argument, the shape of a federal Ireland is probably the least of the problems. There is the old idea of re-dividing the island into the four ancient provinces of Ulster, Munster, Leinster and Connaught. Alternatively, the creation of a Gaelic-speaking self-governing area in the West, it has been said, would counterbalance the Protestant enclave of Ulster, and the rest of Ireland would make up the third element. More practically, an acceptable arrangement might be for the federation to consist of two self-administering areas based on Dublin and Belfast. And it has been put forward by some observers that as an instance of good faith the Republic should offer to cede Co. Donegal to its new Ulster partners because that would make administrative and economic sense.

How representation in the overall federal authority would be apportioned is clearly a crucial issue, as is the scope of federal administration. More mundane, although just as tricky, is the question of unifying and streamlining the Northern Ireland Civil Service with that of the south. These problems, and many more that are the result of what Mr. Mason recently called the "separate traditions," will occupy much of the studies that the political parties in Dublin are conducting.

There are nevertheless considerable built-in advantages to the federal principle that make it more than just a Dublin pipe-dream. When Mr. Don Concannon, who is Mr. Mason's deputy, visited a Dublin industrial exhibition this month he urged industry on both sides of the border to link-up in joint ventures. At present both Ulster and the Republic tend to look to Britain and Europe for their trading partners, with the result that their combined £1bn. a year market for engineering products is 70 per cent. supplied from overseas. Yet often an item is available on the other side of the border. The two economies are not quite as complementary as is sometimes suggested, be- · · both grew up in parallel as British adjuncts, but there remain glaring cases of wasteful non-cooperation. Harland and Wolff shipyard has had no business from Ireland's extensive offshore oil search. Southern · s and northern electricity surpluses are not likely to be pooled. Steel smelting and petrochemical projects duplicate one · ·other. The list is long.

Backed by EEC money and support, a few co-operative projects are under way — notably the £50m. Donegal-Derry transport projects to counter the economic effects of what was an artificial partition.

Mr. Lynch, for all the furore his recent remarks about unity caused, agreed not long ago that what he has in *mind* is "creeping federalism." If he has a game plan, it is probably made up of almost imperceptible moves that, to begin with, would make Ulster part of an economic federation. Right now, though, along with other supporters of federalism, he must be wondering uneasily how to separate his plans from the *Federal Eire Nua* (new Ireland) that the IRA is fighting for.

The La Mon hotel bombing and fire will in the short term lead to a hardening of Unionist resistance, but in the long term will it make discussion of a political settlement more vital?

Letters to the Editor

...lification of ...r streets

...he President, ...cademy.

...Mr. Acheson (of Kentucky Fried Chicken) makes two ...y fair points in his letter ...ary 16) replying to my ...n of his standard shops ... fascia to be effective— ...catch the eye—must, it ... be obtrusive, and who ...itects, for heaven's sake, ... about the uglification of ...eets? ...ved, nevertheless, re- ...he visual problem that ...is chain-store colleagues ...and that we, the poten- ...stomers, must endure. ... firm's house-style is ...then to be consistently ...it must appear every- ...and what is appropriate ...ftesbury Avenue is ...to be equally so in ...ory, Dorset.

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...e Finance Director, ...und Newcastle ...ts.

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...Mr. D. E. Folkes ... 13) raises the ...g point about the place ...ng society deposits in ...y supply. In my view ... general, right in his ...tion of the essential ...stic of money as most ...derstand that word — ...uts his finger on the ... he compares building ...eposits with those of ... whose main concern is ...nission of payments. ...d be said right away ...efinition of the money ...ich one adopts depends ...urpose for which that ...s being used. Thus, ... purposes M1 will be ...ningful than M3. In ...s a hybrid. We may ...e concerned with the ...pply as a means of ...or the community — ...lude, inter alia, public sector deposits which are not closely related in amount to public sector spending. The authorities are concerned with "the broader monetary aggregates," and M3 is most easily reconciled with aggregate bank assets — and thus with domestic credit expansion.

The question of the role played in this context by building societies and other non-bank financial intermediaries has long been debated. We are concerned with forms of near money which have some of — but not all — the characteristics of money. The banks may not be unique in their creation of deposits; but they are "more unique than the others" — in that it is only for them that a high proportion of payments is trapped within the system (that is allowing for certain leakages). The banking multiplier depends on this fact, whereas the multiplier for other kinds of bank and financial intermediaries depends on a propensity to hold deposits of the particular type of institution out of an increment of income caused by loans made by the same institutions.

Banks create the "commodity" in which other institutions work. Others may activate — "churn up" — deposits which add to the total flow of credit — but they do not create the means of payment which are generally acceptable. In the case of building societies, they tend, when they receive deposits, to reduce the total of bank deposits only marginally (when, for example, they themselves suffer certain leakages). The liabilities which the financial intermediaries offer as money (assets of course in the hands of the owners of funds) are imperfectly liquid. They may be "money at one remove" — and we must consider the liquidity of the economy as a whole — and for some (official) purposes this is the measure which may be most useful.

K. T. H. Graves.
259, Teehey Lane, Bebington, Wirral, Merseyside.

Advertising and the professions

From the Chairman, British Legal Association

Sir,—I entirely agree with the views expressed by Mr. P. R. Pennington-Leigh (February 16) and we have so told the Royal Commission on Legal Services.

The pressure for the learned professions to advertise comes from a number of sources and for an expressed variety of reasons; most of them mischievously inspired attempts to damage such professions in fact and in the way in which they are regarded by the public.

If our critics succeed in forcing advertising upon an unwilling profession and solicitors start to compete individually in Press advertisements, on radio and TV, it will very soon be difficult for the public to discern who is professionally qualified and who the charlatan or who the party politically inspired (and it does not matter which party is involved), "para-legal worker," "community lawyer," or whatever other fancy names they dream up for themselves. I make no apology for repeating that a strong and independent legal profession is our best safeguard, for poor and not so poor, and for all irrespective of colour, race or creed, against the destruction of liberty heralded by the corporate State, compounded of Government, trade unions and big business.

While agreeing with Mr. Pennington-Leigh about the need for advertising by professional institutions (among which I do not number the banks) I have some reservations as to the style of the Law Society advertisements featuring a character called "Whatsisname."

S. P. Best.
29, Church Road, Royal Tunbridge Wells, Kent.

Registration of engineers

From Mr. S. A. Gregory.

Sir,—Registration is the principal topic within the field of the Finniston committee enquiry about which your correspondents have written. It is something which is still inadequately defined and, not surprisingly, poorly understood. The pros and cons of registration do not appear to have been satisfactorily aired in the public media.

Your most recent correspondent, Mr. J. N. Holden (February 17), complains that the Finniston committee will not be seeking his opinion. It is my purpose and function to assert that the reverse is true and to provide him with the means of giving his opinion. Sir Monty himself has expressed a wish for his committee to hear all people having to do with or interest in professional engineers and engineering. He has also declared his willingness to gather statements and opinions going somewhat beyond the limits set out by the Government in the terms of the enquiry.

The procedure for this wide opinion gathering is the holding of regional meetings. The Council of Engineering Institutions has undertaken the task of organising these. Already some have occurred—in Manchester, with an attendance of 400; in Bristol, with an attendance of 600. In each case there has been adequate time and opportunity for every firmly-held view to be fairly presented and attentively listened to by the large audiences as well as by Sir Monty's team. For the Midlands the main meeting will be on May 4, at 6 p.m. in Birmingham.

S. A. Gregory.
The University of Aston, in Birmingham.
Gosta Green, Birmingham.

Air freight costs

From Mr. J. Nichols.

Sir,—You published a letter (February 11) complaining of the unsatisfactory manner in which our freight was handled. It was not until I inquired into the cost of sending a parcel measuring 12 inches x 10 inches x 10 inches to the U.S. that I really appreciated the reason for your correspondent's concern.

The cost of air freighting my 24 lbs parcel from London to Georgetown, Virginia, would be in excess of £40. When you consider that the cost of shipping a passenger like myself weighing 220 lbs from London to New York is only about £65 it seems that the air freight cost is absurd.

I realise that passengers do not get pilfered in the same way as freight; but clearly there is room for a Freddie Laker to introduce a little sanity, and honest dealing into what appears to be an international racket.

J. W. L. Nichols.
Mill House, Holton St. Peter, Halesworth, Suffolk.

Imagination in taxation

From Mr. P. Mitchell

Sir,—Mr. Davis (February 18) misses the point of the tax argument completely.

If there was a lower tax band of, say, 10 per cent, then a person paying tax for the first time might even be pleased to know that he or she is contributing towards the wealth of the country, something that can always be recalled with a sense of pride.

Instead, as it is at the present, to pay tax for the first time at 34 per cent. feels like a monstrous douche of cold water. Remember that old song — "It ain't what you do it's the way that you do it."? Can we not have some legislation sprinkled with a little imagination?

Peter G. Mitchell
Southside, Fife Street, Keith, Banffshire.

Saturday bank opening

From Mr. R. Morgan.

Sir,—I feel that the chairman of Barclays Bank and his Boardroom colleagues can forget about the re-opening of their bank on Saturday mornings. While they will be lying in their beds, I doubt if they will find sufficient volunteers, rushing from their homes, to open the branches at 9.30 or probably 9 a.m.

With the present salary scale, even double time for Saturday work would not be a sufficient incentive to obtain the required grades of volunteers. The proposed 4 per cent. or even £3 per week (less Income Tax in both cases) indicates that the Board of Barclays, in this case, has little financial knowledge.

R. O. R. Morgan.
"Red Roofs," 56, Usk Road, Pontypool, Gwent.

Subjects for TV

From Mr. M. Bond.

Sir,—Mr. Michael Thompson-Noel has drawn attention (February 15) to the significant proportion of "canned pap" which now comprises televised sport and also the fact that some 13.3 per cent. of total broadcasting is devoted to sport being more than the total time given to light entertainment, drama and music.

Surely BBC TV has a greater role to play than to pump out mindless entertainment which makes no intellectual demands on the viewer. There is a whole universe of knowledge almost completely ignored by TV yet this medium is unsurpassed at its ability to transfer this knowledge in an interesting and dynamic manner which books and sound broadcasting can never hope to emulate. For many, including the lonely, the acquisition of knowledge is a pleasure and can engender feelings of self-respect and responsibility.

The subjects I have in mind are mathematics, logic, computers, accountancy, engineering techniques, nuclear physics, law, statistics, ethics, thermodynamics and so on. The form of presentation could be similar to that pioneered by the Open University with the BBC.

That the BBC should have to transmit a test card seems like a policy of despair. The extra cost of putting out a repeat of one of the many excellent language, decorating, cooking or dress-making courses must be minimal, and with 1.5m. unemployed some new afternoon courses dealing with the problems of starting a new business, carrying out market research or how to invent, might prove helpful.

By giving the fourth channel to ITV the majority who want undemanding entertainment will be well catered for, leaving the BBC with two channels to concentrate on excellence and education which would be of enormous benefit to the country.

M. G. B. Bond.
744 Chelsea Cloisters, SW3.

To-day's Events

GENERAL

Labour Party national executive meets and is expected to discuss demand by party's Home Policy Committee for reflationary Budget.

TUC General Council meets.

Steel workers' pay talks resume.

Prime Minister speaks at Parliamentary and Scientific Committee annual lunch, Savoy Hotel, W.C.2.

Mr. Eric Varley, Industry Secretary, ends three-day visit to France for talks on industrial collaboration.

Mr. Edmund Dell, Trade Secretary, ends three-day talks in Warsaw with Polish Government Ministers.

Mr. Stanley Clinton Davis, Under-Secretary, Trade, addresses Royal Aeronautical Society symposium on Government White Paper on future airports policy.

Negotiating conference for new International Wheat Agreement continues in Geneva.

Accounting Standards Committee meets major lessees to establish practicability of new draft standard dealing with treatment of leased assets in company accounts.

Financial Times two-day conference, Business with Spain, opens in Madrid.

London Chamber of Commerce seminar, Making a Case for Finance, 69, Cannon Street, E.C.4, 10 a.m.

Sir Peter Vanneck, Lord Mayor of London receives Parliamentary delegation from Korea at Mansion House, E.C.4.

PARLIAMENTARY BUSINESS

House of Commons: Scotland Bill, third reading.

House of Lords: Debates on profit-sharing; and on report of Working Group on the Library.

Select Committees: Nationalised Industries (sub-committee B). Subject: Central Electricity Generating Board report and accounts. Witnesses: CEGB (10.45 a.m., Room 8). Expenditure (Social Services and Employment sub-committee). Subject: Employment and Training. Witnesses: Association of District Councils; Association of Municipal Authorities; Association of County Councils (4.30 p.m., Room 16). Science and Technology. Witnesses: Mrs. Shirley Williams, Education Secretary, and Mr. Gordon Oakes, Minister of State (5 p.m., Room 15).

COMPANY RESULTS

Carrington Viyella (full year). Johnson Matthey and Co. (third quarter results).

COMPANY MEETINGS

Bond Street Fabrics, Leicester, 11. Countryside Properties, Winchester House, E.C., 11.05. English China Clays, Hyde Park Hotel, S.W., 12.30. Levs Foundries, Derby, 12. McCorquodale, Basingstoke, 12.45. Vectis Stone, Newport, Isle of Wight, 12.15.

OPERA

Royal Opera production of Madame Butterfly, Covent Garden, W.C.2, 7.30 p.m.

COMPANY NEWS + COMMENT

Securicor 32% higher at record £4.5m.

RECORD pre-tax profits of £4.52m., up 32 per cent on the previous year, are reported by Securicor Group for the year to September 30, 1977. Security Services, the listed subsidiary, contributed £3.9m. against £2.94m., the security division accounting for £3.54m. (£2.60m.).

The finance division added £979,000, of which £356,000 was earned by Security Services. Included under this division are the earnings of Chiswick Garage and property and hotel services. The group acquired Richmond Hill Hotel in June last year.

Group earnings per 25p share are shown to have risen from 10.2p to 14.9p and the total net dividend is stepped up from 1.122145p to 1.2535p with a final payment of 0.9568p. The Security Services final is 1.3217p net for a 1.9887p (1.780516p) total.

Mr. Peter Smith, chairman, reports that fixed assets increased by £7.5m. during the year. Although this has been reflected in some reduction of net cash balances, the group still has adequate cash reserves for its continuing growth. In view of the continuing high level of annual investment in vehicles and equipment, the directors no longer consider it necessary to provide for deferred tax in that regard.

On prospects he says that bearing in mind the present extent of the group's operations, both at home and overseas, and the increasing scope for progress which the breadth of those operations now affords, he feels there are grounds for optimism that prosperous growth will be maintained.

	1976-77 £000	1975-76 £000
Turnover	[illegible]	[illegible]
Profit before tax	4,520	3,426
Security division	[illegible]	[illegible]
Finance division	979	[illegible]
U.K. tax	[illegible]	[illegible]
Overseas tax	791	450
Net profit	[illegible]	[illegible]
Minority profits	1,424	[illegible]
Extraordinary debits	20	—
Available	[illegible]	[illegible]
Pref divs.	[illegible]	[illegible]
Ordinary divs.	120	107
Retained	[illegible]	[illegible]

* Restated due to changes in accounting policies for overseas development expenditure, and deferred tax.

● comment

Only about 3 per cent of the 23 per cent rise in Securicor Group's turnover is due to price increases. So the latest figures are reflecting real growth. The major growth area of the group is the special delivery parcel service, which accounts for around 30 per cent. of U.K. sales (of around £90m.) compared with 27 per cent. in the previous year, and more in terms of profits. In the finance division a full-year contribution from the Ford dealership of over £100,000 helped lift profits by nearly a third. But the overseas operations have yet to make a significant contribution—representing under a tenth of the pre-tax total, although start-up losses in Europe are gradually being eliminated. Meanwhile, reflecting the group's labour-intensive qualities (some 70 per cent. of turnover goes to the wage bill) the group secured an average 7½ per cent. price increase in November, which follows a 6 per cent. rise at the beginning of September. On a 28 per cent. tax charge the "A" shares at 64p stand on a P/E of 4.2 and yield 3 per cent., while the ordinary shares are on similar ratings.

INDEX TO COMPANY HIGHLIGHTS

Camford expects increase

THE FIRST few months of the current year at Camford Engineering continue to justify the directors' confidence about the future Mr. Lionel Citroen, the chairman, tells members he expects to report further increases in sales and profits in 1977-78.

Despite an industrial dispute at a major customer which lasted for several weeks all of the plants in the group are working at a higher capacity than they were at this time last year, he says.

The company is now progressing well in the expansion of its existing manufacturing capacity in order to absorb the new product ranges. At Hemel Hempstead long-term investment plans are nearly completed and the casting foundry should this year begin to make a contribution to the group's profits.

The directors are pleased with the initial progress being made by Gillet, Pre-Star and Co which is now supplying exhaust and silencer systems to the U.K. motor industry and development of this new venture is going according to plan.

The group's direct exports, particularly to the European market, are growing and this growth is unlikely to be affected by the firmness of sterling. For 1976/77 exports increased to £2.17m. (£1.38m.).

Profits earned last year and those currently being earned are a direct result of investment policies implemented after the first rights issue in 1975.

The £1.7m. rights issue in June 1977 gave the company a firm capital base and enabled it to enter into new borrowing arrangements with its bankers, thus laying the foundation for further expansion and increased profitability in the future, Mr. Citroen remarks.

On sales up at £25.08m. (£18.89m.) for the year to September 30, 1977, taxable earnings advanced to a record £1.62m. (£1.27m.)—as reported on December 23. The net dividend is raised to 3.37p (3.35p) per 10p share.

With bank advances £1.29m. higher at £2.17m. net liquid funds were down £1.28m. (up £240,000). At year-end, contracts placed amounted to £1.06m. (£25,000) and a further £261,000 (nil) had been authorised but not contracted.

Progress by City Offices

CONTINUING the steady progress made at midway, when an improvement from £450,000 to £525,000 was reported, pre-tax profits of City Offices Co. finished 1977 £124,581 ahead at £1,121,964.

The second interim dividend per 25p share is 0.95p net, lifting the total payment from 1.54p to 1.72p.

	1977 £	1976 £
Gross income	1,357,169	1,231,962
Pre-tax profit	1,121,964	997,383
Taxation	519,647	462,[illegible]
Extraordinary credits	237,167	*34,006

' To capital reserve. * Debits, from capital reserve.

Accounts of the company's subsidiary in Zambia have not been consolidated: however, the dividend declared by that company has been included.

Rotaflex advances to over £1½m

AFTER RISING £175,000 to £690,000 at midway pre-tax profit of electric light fittings and systems group Rotaflex climbed 35 per cent. to £1.53m. in the December 31, 1977, year.

Sales for the period rose 30 per cent. to £17.97m. Results include trading by Interlumen, its former German associate which is now a subsidiary. After tax and pre-acquisition profits of £33,500 (£11,200) from the total of £52,200 the attributable profit of the group emerges at £643,600 (£466,600). Earnings per share are shown up from 5p to 6.7p.

Mr. Michael Frye, chairman, says that changes in currency rates reduced the operating profit by £37,400 against a £123,000 increase last time. Year end conversion rates cut reserves by £37,100 (£176,300 increase).

He says that in the second half trading in general was not as strong as hoped, with the French economy in particular suffering a severe deterioration.

The group is continuing to strengthen its management world wide, and to develop additional manufacturing capacity. This will allow the company, with its financial position strengthened by its August rights issue and profit retentions, to take full advantage of the anticipated gradual economic upturn in the U.K. and Europe.

Accordingly 1978 results are expected to show further improvement on the 1977 record.

The outstanding 30 per cent. interest in Interlumen will be bought for about £400,000, and will be paid in two instalments, one forthwith and the other interest free in January next.

On capital increased by the one-for-ten rights issue and as then forecast, the final dividend is up from 0.44p to 1.1275p net per 10p share, taking the total to 1.3958p (0.8689p).

● comment

Rotaflex has lifted its pre-tax profits by 35 per cent. and turnover by 30 per cent., figures which disguise the difficult trading conditions in which the group operated for most of last year. Rotaflex designs and assembles lighting systems (mostly for commercial properties) and with the economies of the U.K. and Europe (generating around 90 per cent. of group turnover) in recession and with new development a rarity, competition has been tough. Despite this, sales volume rose around 10 per cent. and, excluding France, where conditions were toughest, the volume gain was nearer 20 per cent. After a buoyant first quarter, trading conditions deteriorated, but profitability was helped by a tightening of management and financial controls. Margins appear to have been held until the fourth quarter, but then came under pressure as the effects of sterling's improvement worked through. A £160,000 turnround to a trading exchange loss of £37,400 offset the gains from a first-time contribution from Hiemstra and the increased profit from Interlumen's move to a full subsidiary. Strong demand for new products, such as its tubetrack system has helped sales, but trading conditions are still tough, and the group may be in for a flatter period this year. The shares yield 4.9 per cent. at 51p. The p/e is 7.4.

S. Webster falls £0.24m.

Brewers Samuel Webster and Sons, a subsidiary of Grand Metropolitan, reports pre-tax profits down from £3.4m. to £3.16m. for the year to October 1, 1977 on sales of £24.23m. against £21.98m.

Net profit emerged as £1.62m. compared with £1.68m. after tax of £1.54m. (£1.72m.). Ordinary dividends absorb £1.28m. (£1.19m.).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Aquis Securities	0.45‡	—	0.38	0.67	0.6
City Offices ... 2nd int.	0.95	April 7	0.84	1.72	1.54
Meldrum Investment	1.23	April 10	1.13	1.85	1.65
Pentland Inv. Tst.	3.18	—	2.53	4.05	3.4
Rotaflex	1.13†	—	0.44	1.6	0.87
Securicor	0.96	—	0.86	1.25	1.12
Security Services	1.32	—	1.18	1.99	1.78
Websters Publications 2nd int.	0.54	Mar. 28	—	—	1.2
West Coast Trust	0.75	April 3	0.5	0.75	0.5

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Plus supplementary 0.005767p for 1976.

ISSUE NEWS AND COMMENT

Menzies scrip package and £4.6m. profit forecast

John Menzies, the Edinburgh based wholesale and retail newsagents, booksellers and stationers, is proposing a scrip package of Preference and Ordinary shares.

With the package comes a group estimate of pre-tax profits for the year to January 28, of £4.65m. compared with £3.1m. for the previous year. The group expects that turnover will have risen from £144m. to £168m.

Menzies is proposing to issue one new 9 per cent. £1 Cumulative Preference share for every four Ordinary shares held at the close of business on February 16. In addition the group is also proposing a one-for-one scrip issue of 25p Ordinary shares.

The new Preference shares will carry a fixed anual dividend of 9p net, to be paid half-yearly on April 1 and October 1. First payment is due next October.

If the proposals are implemented, subject to an EGM on March 20, the group intends to propose a final Ordinary dividend in respect of last year of 1.185p net.

On this basis the group says that the gross income from four existing Ordinary shares would be 28.5p. With the additional Ordinary shares and preference share as increased by the scrip issue the equivalent income would be 42.1p.

Dealings in the new shares are expected to start on April 3.

On the trading front the group says that Christmas trading had exceeded expectations and this had led to the better-than-expected profits estimate.

● comment

Around 48 per cent. of John Menzies' equity is held by directors and immediate family but the total family stake is probably nearer two-thirds. A scrip issue of preference shares is one means by which money can be taken out of the business to meet capital transfer tax liabilities without diluting the family stake. The preference issue will also enhance the return on the overall investment with the Ordinary shares still yielding only 2.3 per cent. on the forecast dividend.

Meanwhile the group's profits estimate is better than the market had been anticipating and the share price rose 18p yesterday to 300p. Retailing had a very good Christmas and the boom looks to have continued into January but bad weather in Scotland and the North has disrupted sales in February. Wholesaling, which generates around two-thirds of turnover, also showed a further advance in the second half last year but margins may have been squeezed slightly as a result of a new wage agreement and much higher incidence of disruption among newspaper publishers. Group profits in the current year may be at least £5m. depending upon the level of any upturn in consumer spending and, just as important, how weather conditions affect retailing.

Watmoughs' £0.4m. rights

Printing group Watmoughs (Holdings) is intending to raise £438,000 by way of a rights issue. The issue will be on the basis of one-for-four to Ordinary holders at a price of 62p per share. In the market the shares closed 5p higher at 81p.

The new Ordinary shares will rank for the final dividend, which the directors are forecasting at 2.935p per share. This will make a total gross dividend for the year ending December 31, 1977, of 5.5p per share—an increase of 63 per cent. over the dividend paid for 1976.

On this basis the ex-rights yield is 7.1 per cent. The Treasury has given its consent to the increased dividend.

While the directors believe that the resources and facilities currently available to the group are sufficient to meet its current requirements, they consider the time right to enlarge the group's capital base to assist its future expansion.

The new capital will provide a balanced and flexible structure to meet all possibilities over the next few years.

An EGM is called for March 8 to consider an increase in the authorised capital. Subject to that meeting approving an increase in capital dealings in the new shares, in a nil-paid form, will start the following day.

The last day for acceptance and payment in full is March 29.

Advisors to Watmoughs are Singer and Friedlander and brokers are Cazenove.

Yearlings back to 8%

THE coupon rate on this week's batch of yearling bonds is up from 7½ per cent. to 8 per cent. The bonds are issued at par and due on February 28, 1979.

This week's issues are: London Borough of Enfield (£1m.), Tunbridge Wells Borough Council (£½m.), London Borough of Lambeth (£1m.), Stirling District Council (£½m.), London Borough of Barnet (£1m.), Chester-le-Street District Council (£½m.), Lanark District Council (£½m.), Test Valley Borough Council (£½m.), Arun District Council (£½m.), London Borough of Hillingdon (£1m.), London Borough of Hounslow (£½m.), Metropolitan Borough of Solihul (£½m.), Cheshire County Council (£1½m.), Middlesbrough Borough Council (£½m.), Castle Morpeth District Council (£½m.), East Hampshire District Council (£½m.), South Herefordshire District Council (£½m.), Etterick and Lauderdale District Council (£½m.).

Two-year bonds carrying a coupon of 9½ per cent., at par, and due February 20, 1980, have been issued by Islwyn Borough Council (£½m.) and Eastbourne Borough Council (£½m.).

The London Borough of Tower Hamlets has raised £1m. by way of 10½ per cent. bonds due February 18, 1981, at par.

Kyle and Carrick District Council has raised £½m. by way of 10½ per cent. bonds at par and due February 16, 1983.

Four variable rate bonds have been issued this week. South Herefordshire District Council has raised £1m. through four-year variable rate bonds maturing February 17, 1982. Buckinghamshire County Council has raised £1m., and Borough of Thamesdown and Leicester City Council has each raised £1m. by way of five-year variable rate bonds due on February 16, 1983.

MANCHESTER GARAGES—90%

Manchester Garages' rights issue of 3.2m. new Ordinary 10p shares at 21p each has been taken up as to 2,879,598 shares (89.99 per cent.). The 320,402 shares not taken up have been sold in the market.

MID-SUSSEX WATER

Underwriting has been completed for an offer for sale by tender by Mid-Sussex Water Company of £1.5m. 7 per cent. Redeemable Preference Stock, 1983.

Brokers to the issue are Dennis Murphy, Campbell and full details will be available to-morrow.

MIDLAND RIGHTS CLOSES

The application list for Midland Bank's £96.4m. rights issue closed yesterday and the initial market reaction was that the issue had been successfully subscribed, with a level of acceptances of possibly around 85 to 87 per cent.

However, the final results of the issue are not expected to be announced until towards the end of this week.

Midland shares slid a further 5p yesterday to 333p compared with the rights price of 330p. But most of this fall occurred after the application list had closed and some banking analysts thought that the brokers would have no problem in placing the shares not taken up.

British Land cuts midway deficit

AFTER LOWER interest charges of £8m. compared with £9.31m. the pre-tax deficit at British Land Co. was reduced from £2.4m. to £2.02m. for the half year to September 30, 1977. For the whole of the previous year, the company incurred a £3.97m. loss.

Given a continuation of current economic conditions, the directors state that a return to profitability can now be envisaged within a shorter time scale than seemed likely last autumn.

The company's property portfolio remains predominantly freehold, with early reversionary prospects and with a substantially improved pattern of debt maturity.

First half results do not reflect the fundamental impact of successful refinancing and subsequent property sales, the directors say.

After a tax charge of £65,000 (£2,037,000 relief) and a minority credit last time of £59,000, attributable deficit jumped from £422,000 to £2,086,000. Again no interim dividend is to be paid—the last payment was 0.875p net in respect of 1973-74.

The group has sold a further £27m. of properties, virtually completing the programme of realisations in a much shorter timespan than was envisaged at the time of 1976-77 report.

Contracted sales are expected, with one exception involving some £0.75m., to be completed within the current year.

The directors expect to make further individual property sales only where they are particularly advantageous. Short-term debts repayable within one year will then be reduced by some £30m. from £86m. at March 31, 1977.

These completions will produce a net surplus on property disposals for the full year and revenue losses will be offset against the tax surplus generated by these sales, so reducing attributable deficit.

Gross rental income for the half year amounted to £7.4m. compared with £8m., reflecting property disposals. However, new lettings and rent reviews already concluded increase rental income by £750,000 per annum.

The Kensington High Street development, the next phase of which is now financed, and the Aldersgate offices to be completed shortly should produce additional rentals of around £1m. per annum.

Following the conclusion of the company's French development programme and the letting of its London head office, a surplus of £0.5m. per annum is expected.

After a difficult period for retail trading, compounded by the poor summer, subsidiary Dorothy Perkins enjoyed a marked upturn in the second half. This retail business is earning a good return on investment and, given reasonable retail conditions will make a major contribution to revenue next year, the directors add.

W. Crowther and Sons (Brickmakers) with Bux Corrugated Containers continues to be very profitable.

See Lex

Peak £0.4m for Aquis Securities

AFTER A MUCH increased interest payment of £716,101 against £394,101 pre-tax profit of Aquis Securities lifted from £334,920 to a record £418,719 in 1977.

Gross rental income was £1.07m. (£0.95m.), and after property expenses amounted to £722,075 (£673,667). The total value of services provided in hotel trading was £0.91m. (£0.64m.) and the gross contract prices of buildings and land sold totalled £1.59m. (£187,000).

After tax of £216,657 (£175,365) net profit emerges at £202,062 (£159,555).

Minorities of £4,922 (£4,544), a credit transfer from retained earnings to cover net interest charged on an investment development of £19,435 (£35,575) and an extraordinary credit of £23,492 (£30,172 debit) leave profit at £240,067 (£140,696).

Basic earnings per share are given at 0.88p (0.70p) and fully diluted at 0.83p (0.76p).

A final dividend of 0.445149p (0.375p) net per 5p share is to be paid and takes the total to 0.670149 against 0.6p. A supplementary payment of 0.005767p will also be paid following change in ACT.

BCA jumps 62% to £0.7m. and going well

A 62 PER CENT. jump in taxable earnings from £443,145 to £715,670 was achieved by British Car Auction Group for the six months to January 31, 1978. Gross proceeds from auctions were up £8.68m. at £47.79m.

The second half has made a good start and the indications are that overall the year will be very satisfactory, the directors say. Full-time profit last time was at a peak level of £1.1m.

The half-year figures could have been better but more than £100,000 was "lost" in the two weeks shutdown over Christmas and the New Year, the directors state.

Normally the company works over bank and public holidays to sustain the flow of business and because there is demand for this service from customers. They hope that such a long shutdown nationally will not occur again.

Other subsidiaries, including recent acquisitions, made useful contributions to group profit.

As usual the interim dividend will be declared in April. Last year's total net payments were 1.98p per 10p share.

	Half year 1977-78 £	1976-77 £
Auctions proceeds	47,795,000	39,108,000
Commissions	2,163,111	1,633,386
Others sales	2,593,042	750,538
Pre-tax profit	715,670	443,145
Taxation	420,000	226,000
Extraordinary debit	4,710	—
Attributable	290,960	217,145

● comment

Excluding acquisitions, the stated 62 per cent. improvement in taxable profits from British Car Auction becomes a more modest 39 per cent. rise. Even so, the group is on a strong growth trend. More used cars have been coming onto the market and volume is now around 7,000 to 8,000 a week, an increase of a 1,000 on the comparable period. In addition, the group's decision to enter the heavy commercial vehicle market last summer is already beginning to pay off. This market has contributed around a tenth of the latest profits. Moreover fleet sales now account for 40 per cent. of the total cars handled, compared with 36 per cent. a year ago. Prices have been rising in the wake of higher new car prices, and so commission has been increasing faster than the number of vehicles handled. For the full year £1.78m. now looks possible. On that basis the shares at 42½p stand on a prospective fully taxed p/e of 5.8, and, assuming a maximum payout, yield 7.8 per cent., with around threefold cover.

Drayton Commercial

Drayton Commercial Investment Co. lifted net revenue from £1.07m. to £1.23m. for 1977 after tax of £0.82m. compared with £0.75m.

The final dividend is 3.1875p net per 25p share for a 4.5p (4p) total.

Total assets less current liabilities at end 1977 were valued at £48.93m. and the net asset value per Ordinary share was 170p (£44.26m. and 153p respectively).

On April 30, 1977, £152,874 Convertible Unsecured Loan Stock was converted into 122,299 Ordinary Shares.

West Coast & Texas Trust advances

After interest of £84,818 against £95,912, pre-tax revenue of West Coast and Texas Regional Investment Trust advanced from £33,315 to £64,933 for 1977.

Tax took £30,638, including unrelieved overseas withholding taxes of £764, compared with £13,745 with full relief for overseas tax.

Earnings per 10p share are given almost doubled at 1.14p (0.59p) and the dividend is stepped up from 0.5p to 0.75p net.

Net asset value per share is 78.5p (82.3p).

Meldrum Inv. finishes with £387,500

AFTER TAX of £213,799, against £216,938, net revenue of Meldrum Investment Trust for 1977 was marginally ahead from £359,095 to £387,500 and earnings per 25p share emerged 0.14p better at 1.92p.

A final dividend of 1.225p lifts the net total to 1.85p (1.65p). Year end net asset value was higher at 57.7p (41.3p).

Kursaal up £50,000 at halftime

Malta hotel and casino owners Kursaal Company reports taxable profits £50,000 higher at £233,000 for the half-year to November 30, 1977.

Turnover was £1.7m. (£1.4m.) and Mr. Eric MacAdie, chairman, says that hotel profits were below budget although above last year's level. Casino earnings were also higher.

He says that the company cannot expect much from the second half unless there is an unexpected surge in business. An interim dividend of 5 per cent., less tax, has been declared compared with 4.5 per cent. tax free last time.

British Enkalon cuts second half loss

·LLOWING A SHARP reduction its pre-tax loss to £651,000 in second half British Enkalon ; ended 1977 with a £2.15m. ?eit against £3.52m. previously. sses for the past three years v total £11.62m.

·irectors say that although the s is disappointing the pre-tax ult has improved in a year ?n many companies in the man- ie fibre industry have reported ·sening results.

he outlook remains uncertain ? the major continuing prob- of persistent over-supply of es, both worldwide and in the ., they say.

he 1978 result could be better he predicted increase in con- ier demand is realised and is ompanied by continuing curbs osts and inflation.

iles for 1977 were up from 28m. to £50.55m. and the ip's trading loss was £775,000 79m.), before associated com- v profits of £400,000 (£320,000) interest of £1.77m. (£2.03m.). fter a tax charge of £5,000 5m. credit), minority debits 23,000 (£9,000) profit emerges 2.38m. (£4.01m. after extra- nary losses of £1.74m.).

ie net loss per share is shown) (8p). Again no dividend will paid. The last payment was) in 1975. The group is con- ed by AKZO of Holland.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims—Apex Properties, Challenge Corp., Radley Fashions and Textiles.

Finals—Carrington Viyella, Moorside Trust, Plantation Holdings

FUTURE DATES

Interims—

Campari	Feb. 27
Rosall	Feb. 28
Victor Products (Wallsend)	Mar. 6

Finals—

Anglo-International Invest. Trust	Feb. 24
Kleinwort, Benson, Lonsdale	Mar. 14
Pentland Industries	Apr. 24
Vantona	Mar. 2
Waterford Glass	Feb. 28

† Amended.

Money Manager Service

An investment in the Money Manager Service run by Manchester stockbroker Charlton Seal Dimmock and Co. would during the period from mid-October to mid-February have shown a marginal improvement in value, as against a fall of 3.46 per cent. in the FT-Actuaries Short-dated Government Securities index over the same period.

Since the service was launched, in November, 1976, the value of an investment in the fund has increased by 30.8 per cent. (21.6 per cent. after allowance for capital gains tax at the maximum rate), while the brokers' own index of short-dated securities has risen by 14.04 per cent. over the same period. The Money Management Service provides portfolios for those in search of capital and those in search of income, and it is restricted to investment in short-dated stocks and money market instruments.

[M]otts. Brick [h]it by [b]ad weather

. W. D. Crane, chairman of ngham Brick, told share- ?rs at the AGM that "apart appalling weather, I would ?asise the difficult trading ?tions which we are currently ?iencing."

?se have resulted in stocking very substantial scale by ?lly all brick manufacturers, "I can confirm that our on is quite exceptional, in we have virtually working s only in the yard.

e cannot expect to remain y immune from the effects ? present market conditions, ?ularly as they are causing of our competitors drastic- ? reduce quoted prices, said ?rane.

January, both production ?ales were satisfactory and, ?e end of January, the was ahead of the com- ?e period in 1977. The bad ?er being experienced is to affect both production ?des, said the chairman, and ?any forecast for the next ?onths very uncertain.

Pentland Investment revenue up

For 1977 Pentland Investment Trust reports net revenue ahead from £639,606 to £752,920. This was struck after overseas tax of £45,834 (£37,861), corporation tax £129,143 (£121,493) and imputed tax £308,139 (£271,402).

Earnings per 25p share are given as 4.11p (3.46p) and the final dividend payment is 3.175p net for a 4.05p (3.4p) total.

The net asset value per share at December 31 was 148p (129.3p).

Norfolk Capital sees good year

Given reasonable conditions over the coming summer months, Mr. Maxwell Joseph, the chairman of Norfolk Capital Group, sees no reason why 1977-78 should not be another good year for the group.

Members are told in his annual statement that turnover to date is ahead of last year. The directors are continuing their constant endeavours to contain the inflationary rises in overheads and while, interest rates are unpredictable, there is every hope that the extremely high rates endured over the past three years will not be repeated.

As reported on January 11, pre-tax profits leapt from £100,206 to £451,567 for the year to September 30, 1977, on turnover of £6.47m. (£5.17m.) with the group's hotels and properties both making contributions. Earnings per 5p share are 2.02p (0.48p) and the dividend total is raised from 0.2p to 0.6p net.

A statement of source and application of funds shows a decrease in bank borrowing less cash balances of £752,597 (£329,819 increase).

A professional revaluation of fixed assets was commissioned by the directors to take in all the acquisitions and improvements since the previous valuation in 1975, which resulted in a surplus of £4,179,682 over book value. The new valuation was incorporated in the accounts and the intangible goodwill of £459,988 written off. This demonstrated that the group's net tangible assets represent 60p (26.6p) per share.

At an EGM to be held immediately after the AGM, proposals for a share option scheme for senior executives will be placed before members.

Meeting, Norfolk Hotel, S.W., March 14, at noon.

R. Smallshaw expects some improvement

Profits for the current year at R. Smallshaw (Knitwear) are expected to show some improvement on the record achieved for 1976-77, Mr. R. F. Smallshaw, the chairman, tells members.

Recent months have seen an increase in demand for fully fashioned knitwear but orders for cut and sewn knitwear have been more difficult to obtain, he says.

After a depressed third quarter sales improved during the year to September 30, 1977, enabling some of the ground lost to be recovered. Full time taxable profit was £266,623 (£104,191) on sales up from £2.96m. to £3.74m.—as reported on January 28. The dividend is raised to 1.5p (1p) per 10p share.

At year end, net liquid funds, represented by bank and cash balances were down £31,120 (£104,206) and bank loan and overdrafts stood higher at £270,598 (£239,413).

Meeting, Hinckley, on March 14, at noon.

Brotherhood off £0.17m at midway

TAXABLE PROFIT of machinery and power plant makers Peter Brotherhood fell from £490,000 to £320,000 in the September 30, 1977 half year on turnover down from £7.24m. to £5.09m.

The result is after interest of £34,000 (£106,000) and subject to tax of £166,000 (£255,000). Last year there was an investment write off totalling £102,000.

Directors say that the substantial improvement in order intake in the six months has continued and will be reflected in deliveries for 1978-79.

They will give an estimate of the full year's result when declaring the interim dividend in April. Last year a 1.625p net interim was paid, followed by a 4.15p per 50p share final on profits of £1.39m.

Mackinnon sales above estimates

In his annual statement, Mr. Kenneth H. Mackinnon, the chairman of Mackinnon of Scotland says that against the improving flow of production, the sales programme already exceeds the directors' estimates.

As reported on January 20, the company recovered from a £62,332 loss to a record pre-tax profit of £421,523 for the year to October 31, 1977.

Mr. Mackinnon states that the dramatic improvement in profitability, which occurred mainly during the second half, demonstrates the wisdom of going ahead with the last phase of the planned development as was done some two years ago.

Although the build-up of productivity was slower than intended, the company has now begun to achieve something like the level of productivity for which the development was planned.

Negotiations with the Scottish Development Agency have been brought to a satisfactory conclusion, states Mr. Mackinnon, who considers the advantage to be gained by the introduction of this long term finance, with repayment spread over 20 years, of considerable importance to the company's development.

During the year, bank liability decreased by £49,553 (£529,536 increase).

[C]OUNTER-INFLATION ACT 1973

[The] Treasury have given consent to the declaration by the following [com]panies of dividends of the total amounts specified for the [finan]cial years ending on the specified dates.

[Mack]innon of Scotland Ltd.	Coatbridge	£60,000	31.10.77
[Amal]gamated Distilled [Pro]ducts Ltd.	Glasgow	£49,530	31. 3.78
[...]l Properties Ltd.	London W2	£883,030	30. 6.77
[R. Sm]allshaw (Knitwear) Ltd.	Hinckley	£28,409	30. 9.77
[...]d Guarantee (Holdings)	Dewsbury	£14,161	30. 9.77
[Coun]tryside Properties Ltd.	Billericay	£135,000	30. 9.77
[...]iated Paper Industries Ltd.	London EC4	£392,062	1.10.77
Sylhet Holdings Ltd.	Washington	£19,200	31.12.76
[...]ive Engineering Co Ltd.	Isleworth	£345,813	30. 9.77
[...]nt Television Ltd.	London W1	£2,096,398	30. 9.77
[...]h Sugar Corporation Ltd.	Peterborough	£3,925,182	25. 9.77
[...] Discount Ltd.	Hull	£492,000	30.11.77
[...]iated Fisheries Ltd.	London SW1	£798,887	30. 9.77
[...]harsis Sulphur & Copper Ltd.	Glasgow	£104,000	31.12.77
[...]Property Holdings Ltd.	London W1	£55,673	31. 3.78
[...]e Tool Engineering [(Ho]ldings) Ltd.	Birmingham	£40,075	30. 9.77
[...]uist Dent Ltd.	Bolton	£259,438	19. 7.77

Published by the Treasury as required by the above Act

BOC faces hard year with no earnings growth

FOLLOWING the most damaging strike in the group's history, the current year will be difficult for BOC International and the earnings growth of recent years will not be maintained, Sir Leslie Smith, the chairman, warns members.

Demand for the group's products should increase during the year but it will be harder to achieve a reasonable profit level. The squeeze on margins will be most noticeable in Europe, and the region's profit will be affected by the four week strike in the U.K. gases division. With lower margins a more selective view on investment may be necessary.

Overseas some improvement in profits is expected but the recent strengthening of sterling will reduce substantially the reported value of overseas earnings, the directors say.

Though the company is insulated from the worst effects of such uncertainties as inflation, currency movements, and political see-saws, a temporary check on growth and expansion is inevitable, and the consequences of the strike will be felt for years to come.

Many customers and a lot of money was lost by it and those losses place in jeopardy the security of jobs and maintenance of the company's U.K. investment programme, the chairman says.

Fixed capital investment in this country during 1976-77 rose to £36.5m. (£25.1m.) out of a total of £72.6m. (£46.8m.). In the Pacific area £10.9m. (£10.4m.) was spent and £7.6m. (£3m.) in the rest of Europe: £2.6m. (£3.5m.) was invested in America, excluding Airco; £4.3m. (£3.3m.) in Africa and £1.7m. (£1.5m.) in Asia.

Net borrowings, including finance leases, were £10m. down at £153.6m. after £39.8m. from rights issue. By year end borrowings represented 24.8 per cent. of total capital employed which was well below the gearing level which could be reasonably supported in the long term, the directors say.

The absolute level of borrowing will increase substantially during 1978 and there will be an increase in gearing. Facilities have been arranged with the group's bankers to ensure adequate capital for its foreseeable needs in 1978.

Sir Leslie describes the Airco stake as providing access to a major source of technology and managerial skills and strengthening ability to compete on equal terms with international competitors. A good return is expected from the investment.

The U.K. strike occurred despite the huge investment in modern equipment and processes and efforts to provide employees with detailed information and explanation, an invitation to participate and become involved, and a continuing process of improved wages and working conditions.

However, Sir Leslie comments that, though there are lessons to be learned, there is little point in attempting to allocate blame. The U.K. management will do everything possible to reassure customers, to minimise loss and avoid cutting jobs and investment.

By 1977 total employment within the group was down to 40,900 from a peak of 42,800 in 1974 and the group expects to maintain the current level over the next year.

For the year to September 30, 1977, on sales up 10.4 per cent. at £670m. taxable profit advanced to £82.2m. (£79.6m.) as reported on December 22. The net total dividend is stepped up to 3.135p (2.6398p).

On a current cost basis profit would have been reduced to £65m. after additional depreciation of £17m. and cost of sales of £11m. and adding a gearing adjustment of £11m. The effect on the balance sheet would be to increase net value of fixed assets by £75m.

Revaluation of plant, distribution equipment and vehicles during the period lifted the net book value of assets by £27.1m.

Working capital at year end showed a net increase of £30.5m. (£5m.). Deposits at short call and cash and banks balances stood at £32.3m. (£25m.) while bank overdrafts and short term borrowings were ahead from £19.4m. to £37.2m.

Capital spending projects totalled £65.1m. (£28.95m.) of which £25.5m (£8.44m.) had been authorised but not committed.

See Lex

● GKN/SACHS JUDGMENT

Surprise defeat for GKN

BY A. H. HERMANN, LEGAL CORRESPONDENT

GKN's FINAL defeat in its long battle to acquire the West German Sachs group disappoints hopes in both the U.K. and Germany that the merger would mark an important advance in industrial co-operation between the two countries.

In Germany especially it was hoped that the merger would facilitate the diversification of Sachs and the expansion into overseas markets. Sachs is the nation's leading motor car component manufacturer and clutch supplier.

Allowing the Federal Cartel Office's appeal against the merger, the five judges of the Supreme Court of Germany revoked the favourable decision of the Berlin appeal court.

They did not however accept the main ground for the prohibition advanced by the Cartel office—that the additional financial muscle gained by Sachs as a result of its merger with GKN would lead to increased market dominance.

The judgment says that the court found other grounds for the conclusion that the merger would increase Sach's dominance in the clutch market, but its detailed reasons will not be known till later when the text of the judgment is eventually released.

The verdict came as a considerable surprise especially as the Cartel Office had expected a ruling enabling it to prohibit on the basis of added financial power conglomerate mergers which do not automatically result in an increased market share.

The draft Bill for a revision of the West German competition law, about to be finalised in Bonn, provides for legal assumptions which will make it easier for the Cartel Office to control such conglomerate mergers merely on the basis of the size of the parties involved.

However, the decision of the Supreme Court will be used by the adversaries of this revision of the law as an argument that it is not really necessary, and that, as the outcome of the GKN-Sachs case shows, the present less strict law is sufficient to enable the Cartel Office to control even conglomerate mergers.

The critical question which the court had to determine was how lower courts should assess the probable effect on competition of such an increase in the financial strength of an enterprise.

Stressing that the decision went far beyond the interests of the parties directly concerned, Dr. H. Pfeiffer, president of the Supreme Court, emphasised the important position which motor car manufacturers held on the German clutch market—the sector on which the Cartel Office concentrated its attention when banning the merger.

The car manufacturers can restrict the supplier's freedom of action by determining their quotas and by operating their own quality control. In pointing to this, the president had seemed to indicate that the court recognised the power of the buyers and would take it into account when considering whether the financial strength added to Sachs by GKN could in fact lead to an increase of Sachs's dominance of the German clutch market.

It was the president's remarks on the strong position of the car manufacturers which had led many observers to expect a favourable judgment for GNK.

Obviously fearing that acknowledgment of the car manufacturers' market power could defeat its main argument, the Cartel Office introduced in its appeal an entirely new argument, namely that the acquisition of Sachs would eliminate GKN as a potential new entrant to the German clutch market.

Counsel for Sachs protested against the introduction of a new justification for a decision taken by the Cartel Office on different grounds. He said this was contrary to the procedural rules. If allowed, it would enable the Cartel Office, simply by shifting its ground, to cause endless delays in the judicial review of its decisions. In this way it could kill any merger, even when not authorised to do so by law.

GKN submitted through its attorney that they had an opportunity to enter the German clutch market when they acquired control of Uni-Cardan but did not do so. On the contrary, they restricted this company's operations in the clutch market.

● CHRISTIAN SALVESEN

Sticking to what it knows

BY JAMES BARTHOLOMEW

FOR SEVERAL years now Christian Salvesen has appeared to be one of the major private companies most likely to go public. Its annual reports and accounts, of which the latest for 1977 has just been published, are just as informative as those of most public companies, if not more so, and the chairman is on record as saying he wants to be ready to take the plunge whenever the time seems right. But the company repeated yesterday that it has "no present intention" of going public and the incentive to do so has, if anything, diminished over the past year.

Christian Salvesen was created in 1848 by a Norwegian expatriate as a shipping agency. In the 1850s it branched out into shipowning before going in for whaling in the 1890s. This continued as its major activity until the stock of whales in the high seas began to fall as a result of over-fishing. Salvesen took an opportunity to sell out to the Japanese and found itself in the early '60s with plenty of capital and the need to invest it somewhere.

The major, and most successful, outlet turned out to be the cold storage and transport of food. Salvesen already had expertise in cold storage technology and arrived on the scene in the early stages of the frozen food boom. Having vigorously pursued this growth industry, food services now account for £5.3m. of the £9.9m. trading profit.

Much less successful, with the benefit of hindsight, was the venture into housebuilding, contracting and building materials in the late sixties and early seventies. At the time, other companies told Salvesen they were jealous that it had the capital available to go into this field. But the timing was in fact very poor. In 1973, for example, Salvesen paid £8m. for J. and A. Jackson, the brick makers, and another £1.5m. for Hawker Homes which had substantial land stocks in Scotland. But in 1977 the pre-interest profit of the entire building and property division was only £2.4m. of which £1.2m. was the profit on land sales.

In its current state, Salvesen would probably not be the most popular of stock market issues. Of its five division, food services, property, seafoods, marine and oil services, in order of importance, only one is in a really healthy industry. Admittedly that one is the biggest, food services, but it nevertheless makes a less than ideal package, and the overall return on capital employed is poor at 14.3 per cent.

But the company is by no means downhearted, believing as it does that most of the activities in trouble have either reached or passed the bottom. And further great things are expected of the food services division. Lst year the group invested £12.8m. in fixed assets, a large portion of which went into buying a cold store at Bourne in Lincolnshire. A new cold store also began operating at Boulogne last October and could be the prelude to more expansion on the continent.

However the balance sheet has taken this spending in its stride and over the past year the credit climate has eased so markedly that the attractions of a quotation for that purpose have decreased. Salvesen has been able to achieve a marked change in the balance of its lending in favour of the longer term as the banks have been keener to find sound borrowers and meet their requirements. Consequently the medium and long term lending of Salvesen had been increased by £4½m. and the overdrafts have been correspondingly reduced. The ratio of current assets to current liabilities is now a healthy 1:1.9.

After showing some uncertainty over where it should be heading since selling the whaling interest, Salvesen's course now seems a lot more clear. It will develop existing activities rather than launching into new ones.

The owners of the company consist mainly of about 180 members of the family and their trusts. They and the employees are the only individuals allowed to have shares in the company in fact. The Church of Scotland has just under a fifth of the equity because one of the family left his shares to it in his will. Other investing institutions have to be content with a mere 430,000 shares obtained through the conversion of some preference shares.

Heavy dredging costs hit Manchester Ship Canal

WHILE the Manchester Ship Canal Company will have to go on facing heavy expenditure on dredging works, Mr. D. K. Redford, the chairman, is optimistic that conditions at its approach channel in the River Mersey will improve.

In 1977 pre-tax profit dropped to £2.12m. (£4.03m.), with results reduced by dredging costs of £2.8m. compared with £1.59m. in 1976.

Mr. Redford says in his statement to shareholders that although the channel as a whole improved during the second half of the year the company has continuous problems with Bromborough Bar which lies at its seaward end.

He says that in 1977 more material, mainly sand, was dredged than in any year since the 1950's and early 1960's.

In the year total toll paying tonnage was down 7.7 per cent. on 1976, but there was virtually no change in the volume dealt with by its cargo handling operations.

The company's sales force was strengthened and strenuous efforts were made to explore possible new fields of business.

Involvement with certain trades, particularly in India, Pakistan and Bangladesh have been extended. The Gulf of Mexico and New York were also visited.

On the property side rents are well up, Mr. Redford reports, including income from some of the industrial buildings bought in 1976 on its Barton Dock Estate.

In the current year the company will be continuing its programmes for replacement of cargo handling equipment, the rehabilitation of sheds and quays at No. 9 dock, Manchester, renewal of pipelines at Stanlow Oil Docks and repairs to the slopes of the ship canal. These repairs are now costing some £400,000 per year.

The resurfacing of its container terminal and additions to repair facilities for van carriers at Manchester Docks are hoped to be completed in the next few months.

The estimated balance of uncompleted capital works in progress is £577,000 (£1.17m.), and authorised capital spending for the year is shown in the accounts at £78,000 (£29,000).

The company is making additional increased pension fund contributions of £1.09m. over 20 years and £3.55m. over 37 years as from January 1, 1975, to meet unfunded liabilities in its pension schemes.

Meeting, Manchester, February 28 at noon.

Japan move to restrain Drayton Trust

Following its diversification of investments away from Australia to Japan, Drayton Far Eastern Trust may not be able to increase future dividend payments because of the lower yields available, Mr. D. R. Stevens, chairman, says in his statement with accounts.

He said it was anticipated that the diversification would lead to a reduction of income, and adds that if the tendency for sterling to appreciate continues, particularly against the Australian dollar, the growth in revenue will be further restricted.

In the year, the percentage of investments in Australia was reduced from 61.1 per cent. to 45.5 per cent., with a further 7.4 per cent. represented by U.K. based companies with major Antipodean interests.

Investment in stocks registered in the Far East, including Japan, at the same time increased from 26.1 per cent. to 36 per cent. Including U.K. companies with major Far East and international operations this climbs to 47.1 per cent.

Mr. Stevens says the figures are however not strictly comparable because of the higher level of cash held at the December 31 balance date. Bank deposits and current accounts stood at £1.29m compared with £0.54m. at year end.

Mr. Stevens says that with 63 per cent. of total net assets held through the investment currency premium the decline in its level following the announcement of the abolition of the 25 per cent surrender requirement must be viewed with concern.

The directors however believe that it will enable a more flexible investment policy by effectively lowering dealing costs, but it may mark a move towards a more liberal U.K. exchange policy leading to eventual abolition of the premium.

"In 1978 the method by which overseas investments are financed may, therefore, assume added significance," he says.

Drayton's accounts have been qualified by the auditors, Coopers and Lybrand on the non-compliance with SSAP 8, which deals with the treatment of Advance Corporation Tax.

Accounts show U.K. investments at £1.07m (£0.69m.) and overseas investments down from £4.7m to £2.77m. Net current assets are shown ahead from £899,581 to £1.2m.

Scottish Amicable Life Assurance Society owns 8 per cent. of shares and Drayton Commercial Investment Company 5.8 per cent.

Meeting, 117, Old Broad Street, E.C., on March 16 at 12.15 p.m.

PETER BROTHERHOOD LIMITED

INTERIM STATEMENT

	Unaudited results for the six months ended 30th September 1977	1976	Year ended 31st March 1977
	£000	£000	£000
Turnover	5,089	7,238	13,558
Trading profit	354	596	1,616
Interest payable	34	106	228
Profit before tax	320	490	1,388
Corporation tax (52%)	166	255	477
Profit after tax	154	235	911
Amount written off investment	nil	102	182
Profit after tax and extra-ordinary item	154	133	729

Turnover is influenced by delivery dates of individual contracts and does not reflect the level of activity in the factory.

The substantial improvement in order intake during the six months ended 30th September, 1977 has continued and will be reflected in deliveries for 1978/79.

It is the Directors' intention to continue their practice of giving their estimate of the year's result, when they announce the Interim Dividend in April.

A.C.E. MACHINERY (HOLDINGS) LTD.

Investment in Research aids growth prospects

Highlights from the circulated statement of the Chairman and Managing Director, Mr. H.V. Gort, FCIS, FRSA:

★ The growth prospects for our chemical engineering subsidiary, William Jones (Chemical Engineers) Ltd., look very promising, indeed, following an exceptional research and development expenditure. We have already obtained contracts substantially exceeding the whole of the previous year's intake.

★ The market so far as the U.K. construction industry is concerned has marginally improved and it would appear to us that the decline in this area has been arrested. We have during the year designed a new type of personnel hoist, the market for which will lie very largely outside the construction industry and we have sold our first unit.

★ The trading profit for the year ended 30th September, 1977, is £320,787 compared with £418,894 for the previous year.

★ The Directors recommend a dividend of 3.383p per share payable on 6th April, 1978, and this is the maximum increase permitted (1976 3.029p).

IDS AND DEALS

Comet attacks Wigfall defence document

net Radiovision has written
areholders of TV rental and
group Henry Wigfall,
ding its contested offer for
mpany until March 7 and at
same time attacking the
ll defence document issued
eek.

net, through financial
rs Kleinwort Benson, argues
a 45 per cent. holding by
ors and their supporters is
elf no defence against a
ercially logical and finan-
generous bid." The docu-
goes on to say of Wigfall
in the absence of a profits
st for 1979 there appears to
acceptable reason for
l forecasting such massive
ses in dividends, other than
shareholders' short-term

et, whose bid was due to
esterday, has not increased
ms of its offer—two Comet
plus £10 in cash, for every
igfall—apart from saying
Wigfall shareholders will
e their promised interim
d worth 3p per share if
cept the offer.

document, which contains
erim profit forecast by
of £4m. before tax (against
in the corresponding
last year), attacks Wig-
rofit record relative to its
t also says that Wigfall's
its about the prospective
uity ratio of the enlarged
show a "grossly exagger-
nd alarmist picture."
holders are reminded that
shareholder—a reference
ted Dominions Trust—"with a director on the Wigfall Board, who you might expect to have known of the prospects for the Wigfall Group, recently sold 25 per cent. of the company's Ordinary shares at some £1 per share below the value of our offer."

A spokesman for Hill Samuel, advisers to Wigfall, said last night that a standard holding statement would be sent out to shareholders to-day and that a more detailed rebuttal of the contents of the Comet document would follow.

HARRISONS & CROSFIELD

Regarding the Harrisons and Crosfield offer for Harcros Investment Trust, share certificates for H and C Ordinary shares and the cash consideration in respect of valid acceptances received on or before January 31, have been posted. Dealings will commence in the Ordinary Shares of H and C to-day.

New Harcros stock units issued pursuant to the capitalisation issue will be despatched on February 24 to those Harcros holders who have not yet accepted the H and C offer. Application will be made for the new Units of Harcros to be admitted to the Official List. It is expected that dealings will commence on February 27.

NO PROBE

Mr. Roy Hattersley, Secretary of State for Prices and Consumer Protection, has decided not to refer the proposed merger between Dalgety and Federated Chemical Holdings to the Monopolies Commission.

Vantona takes 20% stake in Sekers

Vantona has bought a 20 per cent. stake in Sekers International, the ladies' dresses, furnishing and upholstery fabrics group, which was known as West Cumberland Silk Mills up until 1975. Vantona, a manufacturer and distributor of household textiles, fashion fabrics and ladies' foundation garments, has bought the 1,138,000 Sekers shares from Britannia Arrow, which now represents the surviving interests of the old Slater Walker Securities. The price paid for the shares has not been disclosed.

A spokesman for Vantona said last night that the holding has been bought as an investment and that "there is no intention at present of making a full take-over bid for Sekers." He further added that Vantona would not be seeking representation on the Board of Sekers, "unless asked."

Sekers' shares ended 1p higher yesterday at 22½p, a price which puts a value on the whole group of just under £1.3m.

An earlier attempt to sell the Sekers holding by Britannia to a Mr. G. M. Miller fell through last December.

ewman's Dutch expansion

an Industries, the fast
industrial group which
ctober bought Dover
ring, is back on the
on trail, but this time out-
U.K.

Alan Bartlett, chairman,
y announced that New-
l spent £2.4m. for a 31.2
t. stake in Dutch-based
l fasteners group, Avdel
onal. At the same time
has laid out £205,000 for
n which expires in June,
the remaining 68.8 per
the shares. In the mean-
wman will assume day-
management control of

ing the move Mr. Bart-
that the future for the
in international market-
e country needs a foot-
e major markets. Export

apparently offers such a
It has production units
J.K., Germany and the
distribution subsidiaries
, Japan, Italy, Australia,
nd Switzerland. Esti-
rnover for the year to
8 will be approximately
24m.) and profits are
be $4m. (£2m.). Last
l's sales amounted to
d profits were $2.1m.
ble assets were given as

Mr. Bartlett described the option scheme as insurance. On the one hand Newman will have had 18 months of managing Avdel before it needs spend a further £5.3m. on buying out the rest of the shares; on the other the option protects its current interest by dissuading possible outside bidders for the Dutch company.

The acquisition comes only a month after Newman disposed of two subsidiaries, thereby reducing bank debt by £1.75m. By last month, according to Mr. Bartlett, Newman was "back in the black on current account." The £2½m. paid for Avdel has in any case come out of Dollar earnings. Some 55 per cent. of Newman's earnings are generated overseas.

CHARTERHOUSE STAKE IN MORCEAU

Charterhouse Development Capital, the development capital company formed by Charterhouse Group and major insurance companies and pension funds, has acquired a minority share interest in Morceau (Fire Protection). Charterhouse has made a financial facility available to the company and will be represented on the Board of Morceau, Nottingham-based contractor involved in the fire protection of buildings, chemical plants and oil rigs.

Charterhouse also announces that it has acquired 10 per cent. of the equity of Boulanger Frères, one of the largest electrical retailing groups in France. Through its French subsidiary, Charterhouse said, it is to get a seat on the Board. Boulanger, which is based in northern France, currently has 15 shops and sales in 1977 amounted to £20m.

B. SUNLEY—WATES

Bernard Sunley Investment Trust emphasised last night that it was not selling its wholly owned subsidiary, Sunley Homes, to Wates Built Homes, but that Wates was to take over its management.

Mr. D. C. Jessel, chairman and managing director of BSIT, said that, for a commission, Wates was to run the Sunley Homes operation to the effect that any benefits from subsequent increases in selling prices or economies in building costs would be passed to Sunleys.

He said that, under the agreement, BSIT expects to receive the realisation of its investment in the homes operation, amounting to about £7m.

The "managing out" agreement has been drawn up over a three-year period, although it could be concluded earlier. The unusual deal is principally designed to prevent BSIT from having to sell its loss-making homes operation at a time when it could not expect to achieve a good market price.

THOS. W. WARD

Thos. W. Ward of Sheffield announce the sale for £175,000 of the last remaining fixed assets of Marshall Fowler now part of the British Leyland Special Products Division.

The sale to Darnall Shotblasting Company, a subsidiary of Loyne, encompasses the Marshall Fowler engineering workshops in Leeds which have been vacant for approximately two years.

ONEY MARKET

oderate assistance

t England Minimum
g Rate 6½ per cent.
e January 6, 1978)

ply of day-to-day credit
better than expected
ondon money market
but the market was
slight shortage on the
this was relieved by
assistance from the
ngland. The authorities
small amount of Trea-
from the houses, and also purchased a small number of local authority bills. The amount of help was probably more than the market required however, and banks are expected to carry over surplus balances.

There was a net take-up of Treasury bills to finance yesterday and settlement was made for a small amount of gilt edged stock sold by the authorities on Monday.

Discount houses paid 5-5½ per cent. for secured call loans throughout most of the day, but conditions were fairly tight at the close and final balances were taken at 5½-6 per cent.

In the interbank market overnight loans commanded 5½-6 per cent. at the start, and touched 6-6½ per cent., before easing to 5-5½ per cent. in the afternoon. Closing rates were in the region of 6-6½ per cent.

Short-term fixed period interest rates remained fairly steady in calm trading.

Rates in the table below are nominal in some cases.

Sterling Certificate of deposits	Interbank	Local Authority deposits	Local Auth negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposit	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
—	5-6¼	—	—	—	6⅛	5-6	—	—	—
—	—	5⅞-6¼	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	6-6⅝	6-6¼	—	6-6½	6⅝	5⅝-5⅞	—	—	—
5⅝-6¼	5⅝-6⅞	6¼-6½	6⅝-6¼	6½-6⅝	6¾	5¾-5⅞	5½-5⅞	6⅛	7-7⅛
6⅛-6⅛	6⅝-6⅝	—	6¾-6⅝	6¾-7	—	6	5⅛	6⅛-6⅝	7-7⅛
6⅛-6⅞	6⅞-7⅛	6¾-7	7-6½	7-7⅛	7⅛	6¼	5¾-6	6⅛	7
7⅛-7⅛	6⅝-7⅛	7¼-7½	7-6⅝	7¾-8⅛	—	—	—	7⅛-7⅛	7-7⅛
7⅞-7¾	7¾-8⅛	—	7¾-7⅛	8¼	—	—	—	—	—
8⅛-7⅞	8-8¼	7⅞-8	8⅛-7⅞	8⅛	—	—	—	—	—
—	—	8⅞-9	—	—	—	—	—	—	—

orities and finance houses seven days' notice, others seven days' fixed. Longer-term local authority mortgage three years 10¼-10⅜ per cent.; four years 10⅜ per cent.; five years 10⅝-10⅞ per cent. ♦Bank bill rates in table es for prime paper. Buying rates for four-month bank bills 6²⁷/₃₂-6¹⁵/₁₆ per cent.; four-month trade bills 7-7½ per cent. e selling rates for one-month Treasury bills 5¹¹/₁₆-5¹³/₁₆ per cent.; two-month 5²⁷/₃₂-5²⁹/₃₂ per cent.; and three-month . Approximate selling rate for one-month bank bills 5¹⁵/₁₆ per cent.; two-month 6³/₁₆-6¼ per cent.; and three- cent. One-month trade bills 6½-7 per cent.; two-month 6½-7 per cent.; and also three-month 6¾ per cent. use Base Rates (published by the Finance Houses Association): 7 per cent. from February 1, 1978. Clearing Bank (for small sums at seven days' notice) 3 per cent. Clearing Bank Rates for lending 6½ per cent. Treasury Bills: rates of discount 5.8730 per cent.

MINING NEWS

CAIL to be allowed to mine NSW coal

BY KENNETH MARSTON, MINING EDITOR

A SOFTENING has occurred in the hard-line attitude of the New South Wales Government towards the 600m. tons coal deposit in the Warkworth coal area and Coal and Allied Industries. The latter, which has proven up the coal reserves, is now to be invited to apply for the rights to mine a total of 406m. tonnes in the area, sufficient for more than 40 years' operations.

Last October the NSW Government announced that CAIL would not be invited to apply for the lease which would instead be issued to the NSW Electricity Commission. The latter would own at least 51 per cent. of any joint venture to develop the deposit.

A possible explanation of the Government's attitude at that time was that CAIL was subject to a joint take-over bid from the Australian Howard Smith group and Rio Tinto-Zinc's 72.6 per cent. owned Conzinc Riotinto of Australia. The Government move, now dropped, thus forestalled a measure of control over the coal moving out of Australian hands. That bid has not been withdrawn.

The move also created considerable concern and prompted the NSW Government to work on guidelines for foreign investment in the mining industry within NSW. The lengthy delay had held up plans announced last November for British Petroleum to link with Australia's Oakbridge to build a new coal mine at Clarence.

The latter deal called for BP to pay $A43m. (£25m.) to purchase a 50 per cent. stake in the project but Oakbridge would retain management control of the project and would be the operator. BP would not acquire any equity in Oakbridge itself.

NSW guidelines on investment in new mineral exploration and development now announced by Mr. Pat Hills, State Minister for Mines and Energy, envisage a minimum Australian ownership of 51 per cent. compared with the Federal Government's 1976 figure of 50 per cent.

However, existing mines will not be affected and a gradual build-up to Australian majority ownership will be allowed in ventures where this is not immediately possible and where the ventures are of exceptional value. Foreign portfolio holdings will be left alone unless there are "pronounced growth tendencies."

Broadly speaking, prospectors would have a prima facie case to a mining lease for a viable find but this would not be automatic. Otherwise the State will give preference in granting mining leases to groups with higher Australian participation.

Impala may lift payment

IF THE increased price of platinum holds and costs can be contained South Africa's Impala Platinum might be able to increase its dividend total in the current year to next June. So far there have been two quarterly dividends totalling 40 cents.; the total for the full year to last June was 70 cents.

The chairman, Mr. Ian Greig, has pointed out, however, that there is not much room for manoeuvre at the current rate of capital expenditure which will be R15m. (£8.8m.) this year compared with an average of R7m. in recent years. Furthermore, Impala will become liable for tax from this year and should reach the full 55 per cent. liability by June, 1979.

Mr. Greig added that a rate of mine and refinery production at between 700,000 and 750,000 ounces is anticipated in the 1978 calendar year against 650,000 ounces in the financial year ended June 30. Both Impala and Rustenburg are selling their platinum at $205 per ounce compared with $162 as recently as last November.

Mr. Greig's comments on the market for platinum are reported in Farming and Raw Materials on Page 35.

BETHLEHEM IN THE DOLDRUMS

The Vancouver group, Bethlehem Copper, has announced a 1977 net profit of $Can.940,000 (£415,920), compared with $Can.1.7m. in 1976, but, reports John Soganich from Toronto, these statistics do not really give a true indication of the financial position.

The profit was derived from investment and interest income, a legacy from the good earnings years. "Continued low copper prices, a six-week strike at the Highland Valley mine, combined with higher operating costs, resulted in mine operating losses for the second year in a row," said Mr. Bryan Reynolds, Bethlehem's president.

The mine has been, in short, subject to many of the same pressures which have depressed earnings at North American copper operations. The position shows no immediate signs of improvement. Prices have remained low and in Bethlehem's case, additional complications have arisen from the unusually cold weather which caused production to be curtailed from December until mid-January.

Bethlehem, which was subject to a takeover bid from Cominco last year, is constructing a molybdenum circuit to recover that product from its Iona mine.

Cool response to Quebec asbestos plan

THE QUEBEC group, Asbestos Corporation, which is 54 per cent. owned by General Dynamics of the U.S., is responding coolly to the provincial Government's policy of takeover. A statement accompanying the announcement of static 1977 earnings, said that the Board would study all alternatives.

The Board may formulate alternative proposals for the Quebec Government to consider, but it made clear that it was firmly committed to obtaining the best possible treatment for the shareholders.

Asbestos Corporation is the second largest fibre producer in the province and the Government believes that a takeover would be a good way of ensuring the objective of more processing within Quebec. But this reasoning is rejected by the Board.

At present it is thought that the provincial Government is carrying out an evaluation of Asbestos Corporation, the results of which would determine the scale of some future offer for a controlling interest.

At present the group is engaged in heavy spending on capital projects, although its earnings performance has been sluggish. Net income in 1977 was $Can.21m. (£9.66m), a scant advance on the 1976 profits of $Can.20.4m.

Last year $C22.8m. was spent on equipment replacement and plant modernisation as part of a plan to reduce the exposure of employees and the general population to airborne fibres. A further $C17m. will be spent this year on environmental measures.

The group's exploration programme has increased proven reserves to 226.2m. tons, enough for 25 years production at the current rates of extraction. The total could increase as the diamond drilling continues.

Although Asbestos Corporation is not more than lukewarm about the sales prospects in the first half of this year, it expects an improvement in demand during the second half. It is confident about long-term market growth, especially in the asbestos cement sector, for which about 85 per cent. of the Corporation's output is suitable.

The obstacles to Black business

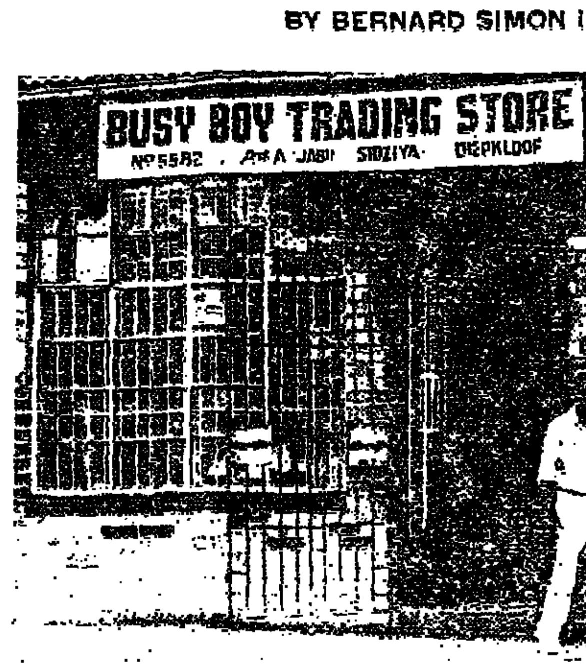
BY BERNARD SIMON in Johannesburg

BLACK businessmen have in the past played a negligible role in South Africa's economic development. In spite of the maze of restrictions which stifle their efforts, however, the country's 35,000 Black entrepreneurs are slowly making their presence felt.

Spearheading their drive to participate more fully in business life is the 8,000-member National African Federation of Chambers of Commerce (NAFCOC), formed in 1963. Only in the past few years has NAFCOC begun to catch the eye of Government and White business leaders. Most notably, the organisation, under the leadership of its urbane and respected president, Mr. Sam Motsuenyane, has been a major influence in persuading the department of Plural Relations to relax some of the restrictions which straitjacket Black business, particularly in the urban areas.

These curbs stem from Pretoria's stubborn insistence that Blacks living in cities and towns in the "White" areas are only temporary sojourners, destined some day to return to a distant "homeland." So while homeland residents wishing to set up a business are given numerous financial and other incentives, prospective traders in the city townships—where most of the roughly R5bn. spent by Blacks each year is concentrated—are faced by innumerable and often insuperable obstacles.

Before May 1976, urban Blacks were allowed to operate only 26 kinds of business catering solely for township residents' basic needs. But many restrictions have since been eased and the open list now includes 66 types of business. However, there are still many others which make the Black entrepreneur's life frustrating and complicated. Urban residents may not, for example, set up any kind of manufacturing plant, and while they are now allowed to sell



A typical Black store in Soweto.

electrical appliances, they are not permitted to repair them.

A man can now own more than one business, but only on the same site. And in any case, he is prohibited from delivering goods outside the townships. Expansion is further limited by regulations which restrict business premises to a maximum area of 350 square metres.

One of the biggest obstacles is the Blacks' inability to acquire freehold title to their premises. This means businessmen are often unable to provide acceptable security for bonds or other types of finance needed to modernise and expand their operations.

The limited range and small size of most Black businesses have raised thorny questions about competition from sophisticated White merchants. Black traders' inability to buy in bulk has meant that their prices are generally higher and the variety of their stocks smaller than those in "White" city supermarkets. As a result, about three-quarters of Black city dwellers' purchases are made outside the townships.

At present, White businessmen are not allowed to trade in the townships, but several companies have urged that they be allowed to do so.

The Minister of Plural Relations and Development, Dr. Connie Mulder, said last weekend that he is considering allowing White-owned chain stores to operate in Black townships. Dr. Mulder's announcement comes in the wake of the Johannesburg City Council's approval of plans by a group of White businessmen to build a large shopping complex at Klipspruit on the outskirts of Soweto.

According to a Johannesburg Sunday newspaper report, Dr. Mulder is advocating a policy of "free trade" in the Black townships as part of his five-year plan to improve the quality of life of urban Blacks. The Government may also be prepared to ease further the restrictions on urban Black traders although there is no indication that they will be allowed to set up business in "White" areas.

Moves to allow Whites to trade in the townships without giving Blacks similar rights in cities' central business districts are strongly opposed by Black consumer and business groups. Mrs. Sally Motlana, president of the Black Housewives' League, said that Blacks would not derive any benefit from Dr. Mulder's plan. "If the Government wants to uplift the Black man and improve his quality of life then it must allow proper free trade," she said. The Housewives' League has attacked the proposal as "an excuse to let Whites into Black areas to exploit the Black people under the guise of uplifting them."

NAFCOC is bitterly opposed to letting Whites trade in or near the townships and it is fighting the proposed Klipspruit development. A mass meeting of Soweto traders, who fear that such a development would spell disaster for their own businesses, has condemned the proposal. "Our members are very concerned," says Mr. Motsuenyane. "White business interests seem determined to exploit in an unfair and even underhand way the severe restrictions under which Black businessmen in the urban areas suffer. We will not stand for it."

There are at present probably only three Black enterprises which have the potential to become major forces in South Africa's business community. These are the African Bank, Afribank, the African Development and Construction Company and Blackchain.

The African Bank, in which leading White banks have a minority share was formed three years ago, and has so far had a rather disappointing record. It has three branches—one in Soweto, one at Ga-Rankuwa just north of Pretoria and the third in Umtata in Transkei. (In terms of a Government directive, the bank must set up a branch in a homeland area for each urban one opened.) Deposits by October 1977 totalled only R3.7m., against the break-even target of R9m. Losses rose from R65,000 in 1976 to R165,000 last year.

The other two companies are even less well established. African Development and Construction, in which Roberts Construction has a 49 per cent. stake, has only just started work on its first project—an alcoholic drinks outlet in Soweto. It hopes, however, to win further contracts for buildings in the urban areas.

Finally, Blackchain has been set up to develop modern shopping complexes in the Black townships. In association with NAFCOC and Afribank, it applied last year for a site on which to erect a R3m. supermarket in Jabulani, Soweto—another reason why Blacks oppose the White Klipspruit Development so vehemently. Blackchain proposes issuing a prospectus to raise funds as soon as the go-ahead is received from the authorities, and is confident of getting the money required.

NAFCOC has meanwhile announced that one of its high priorities this year will be the formation of a development corporation to sponsor business projects both in the urban areas and the homelands. It is hoped to raise funds on both local and international capital markets for this purpose.

The low standard of education of most Black businessmen has meant that training is also being given close attention. NAFCOC, with the help of a grant from Anglo American, appointed a full-time education officer last year, to organise short courses for Black entrepreneurs. The University of South Africa's School of Business Leadership offers 15-month correspondence courses in more advanced business skills, while Standard Bank arranges fortnightly business lectures in Soweto.

But no matter how many training schemes are devised, the full potential of Black business will only be realised when the discriminatory curbs imposed by the Government are lifted.

NORTH AMERICAN NEWS

Sales and income up at Lockheed

BURBANK, Feb. 21.

INCOME of Lockheed Corporation in the fourth quarter 1977 rose from $7.4m. to ... on sales ahead from ...3m. to $890m.

...he year as a whole, net income advanced from $38.7m. to ...m. Sales rose from ...0bn. to $3.37bn.

...eed attributed the higher ... profits to solid results ...rded by nearly all of its ...grammes, and to increased ...rest income and a lower ...ctive tax rate. The ...roved result does not ...esent a trend, said Lock...

...mpany also said it expects ... 1977 results will again ...ive a qualified opinion ... its outside auditors due ...ncertainties originating in ... years, including the reali...n of deferred charges on ... TriStar jetliner.

...ed said that although pro...on rates are being ...erated, its 1978 first ...ter earnings will be sub...ially reduced by the ...-and-a-half month-long ... by machinists in the 1977 ...h quarter, which will have ...rt-term effect on aircraft ...eries.

...y A. Anderson, chairman ... chief executive of Lock... said that it will take most ...e current year for the ...any to overcome cou...y the productive lag ...l by the stoppage.

...ar 1978 profits will be ...d adversely by a lower ... production rate and the ...on this year of the S-3A ... anti-submarine produc...rogramme.

...the TriStar remain the ...uestion in Lockheed's ... Some analysts have ...at a much awaited deci...y Pan American World ...s on whether to buy as ...s 30 TriStars is the key ...e viability of the ...mme.

... is going ahead on a ... 200-seat version of the ... The company expects ...ders for this aeroplane ...v as this year, and will ... to handle the develop...sts of the three-engined ... out any major strain or ... financing, said Mr. ...n.

... backlog at the end of ...as $4.14bn. compared ...4.38bn. a year ago. ...n. during 1977 the com...med up $1.14bn. in new ...and follow-on business ...reign customers out of ...f $3.17bn.

... said that its long-term ...eclined last year to ... from $673m. a year ... Shareholders' equity ...$218.8m. from $166.7m.

...uarter earnings per ...hich went down from ...s to 49 cents, were ...n. 13.4m. shares out... compared with 12.7m. ... year earlier.

...er share for the full ... from $3.10 to $3.71. ...sed on 13.4m. shares ... with 12.2m. shares a ...

U.S. car makers in overseas talks

BY JOHN WYLES

NEW YORK, Feb. 21.

NEW LINKS between the U.S. auto industry and foreign manufacturers look likely to be cemented this year following major announcements by both American Motors and the Ford Motor company.

AMC, which is fighting hard to remain part of the Detroit scene despite steadily falling sales, has continued the series of teasing declarations which began a few weeks ago suggesting that an association with a foreign manufacturer is imminent.

Mr. Gerald Myers, the company's president and chief executive, announced in a newspaper interview yesterday that an "affiliation" with a foreign car producer would definitely take place this year. As a result, the company confirmed to-day, the foreign company's cars would be produced alongside AMC models in AMC plants and distributed through the American manufacturers' dealer network.

According to AMC there is more than one prospective partner in such an affiliation and until a concrete agreement emerges from current discussions no identities will be disclosed.

However, Mr. Myer's latest pronouncement comes just two days after Peugeot, the French vehicle manufacturer revealed that it is discussing the possibility of a co-operative venture with AMC although the focus of the talks was technical, "without any commercial implications."

Speculation has also linked the name of Fiat, Italy's major manufacturer, with that of AMC but neither has publicly confirmed that any talks are underway. Industry observers have also considered one of the Japanese car companies as a prime candidate for a link, or takeover of AMC, but nothing specific has surfaced on this front.

Meanwhile, Ford's president, Mr. William O. Bourke, revealed yesterday that the company is negotiating with Toyo Kogyo, the manufacturer of Mazda cars and trucks, to buy manual front-wheel-drive transmission and axle systems for use in new front-wheel-drive cars Ford is designing to replace the sub-compact Pinto and Bobcat models in the early 1980s.

Predicting that an agreement could be reached by the spring, Mr. Bourke said the purchases would be made as a "cost savings and investment conservation" move. He stressed that Ford was not taking any equity stake in Toyo Kogyo and that the purchase agreement, if it goes ahead, would be an arms-length transaction.

Under existing agreements between the two companies, Ford markets the Japanese manufacturer's small pick-up trucks in the U.S. under the Courier name.

The two companies also share a stake in an automatic transmissions manufacturing company whose output goes primarily to overseas markets.

Terry Dodsworth adds: Fiat, which already has extensive interests overseas, and recently began exporting its trucks to the U.S., refused to comment on possible links last night. But the Italian company is known to have received a number of overtures from AM in the past, and to have rebuffed them all.

The company's present management is believed to be against establishing a manufacturing unit in the U.S., where the scale of manufacturing is quite unlike that of Europe.

It has also been wary of becoming attached to an organisation with as many evident problems as American Motors, particularly since it is channelling a great deal of managerial effort into the reorganisation of IVECO, the holding company for its commercial vehicle interests.

Speculation about a financial link between American Motors and the Peugeot-Citroen group was firmly quashed by the French company in Paris last night. A Peugeot spokesman said a financial agreement with the troubled U.S. company was neither foreseen nor foreseeable, although the French car maker was holding discussions with various U.S. companies on technical co-operation, including exchange of motor parts.

The company saw "no reason" for taking a financial stake in American Motors and still less for selling a participation, although the two companies had held general discussions on exchange of components.

Peugeot-Citroen is interested in buying more parts from the U.S. to make use of the price advantages brought about by specialisation and high-scale production. It is also interested in U.S. technology for mastering the problems of extreme cold and heat, since the French group is dependent on exports for half its sales.

Creusot Loire credit for Phoenix

CLAYMONT, Feb. 21.

PHOENIX Steel Corporation said that Creusot-Loire S.A., the French concern which controls Phoenix, has made $7.5m. in short-term credit available to Phoenix. Terms were not disclosed.

Separately, the troubled steel maker reported a net loss of $15.9m. for 1977 compared to a year earlier net loss of $29.2m.

Phoenix said Creusot-Loire "has indicated its willingness" to convert the $7.5m. in debt into equity securities in Phoenix "provided satisfactory terms can be reached."

Phoenix said the funds will be used for working capital purposes and to reduce bank debt.

AP-DJ

Burlington reverse

Burlington Northern expects first quarter earnings to be well below the $43.7m. or $3.45 a share in the 1977 period, chairman Louis W. Menk told securities analysts, reports Reuter from New York. But a 17 per cent. increase is looked for in originated coal tonnage this year to about 60m. With the additional coal traffic, railroad operations should reflect increasing profitability.

Diamond Shamrock

Diamond Shamrock expects first quarter earnings to exceed the $27.5m. or 72 cents a share earned in last year's corresponding quarter, William H. Bricker, president, told AP-DJ in Los Angeles. About 10 per cent. of total corporate capacity was lost because of the coal strike, which will affect first quarter earnings by about 10 to 15 cents a share, but continued growth in the oil and gas and specialty chemicals areas should ensure a higher first quarter net.

Bridger bid revised

Home Oil has mailed its revised offer to purchase all the outstanding shares of Bridger Petroleum corporation for $12.60 a share. The offer expires on June 21, AP-DJ reports from Calgary. As reported yesterday British Columbia Sugar Refinery's 60 per cent.-owned Fairweather Gas subsidiary withdrew its $12.60 a share offer for Bridger after Home Oil indicated that principal shareholders of Bridger had agreed to tender control of the company under the Home offer.

Fall in demand hits Firestone Tire profit

AKRON, Feb. 21.

OVERCAPACITY in the industry, weaker demand in North America and Europe and a foreign exchange loss of $11.9m. have hit first quarter earnings at Firestone Tire and Rubber. Net earnings for the quarter are down from 41 cents a share to 13 cents, with the total net at $7.4m. against $23.3m. for the comparable quarter. Sales, however, edged forward from $978m. to $1.06bn.

The company said that demand in North America and Europe was "less than robust," adding that production costs in domestic plants were higher because plants were operating at lower levels than a year earlier when they were replenishing inventories depleted by the 1976 strike.

A month ago, Firestone disclosed the possibility of a cut-back in the workforce at its two Ohio tyre manufacturing plants at Akron. Mr. Richard M. Riley, the chairman and chief executive officer, commented at that time that Akron was among the group's higher cost producing plants.

Last year, Goodyear Tire and Rubber halted production of car and light truck tyres at Akron, and also drew attention to high cost and low demand factors in the decision.

Agencies

Savin settles with Ricoh

VALHALLA, Feb. 21.

SAVIN BUSINESS Machines Corporation has reached agreement in principle with Ricoh to settle their dispute over royalties.

Under the settlement Ricoh will pay Savin $18m., of which $3.5m. represents the price being paid by Ricoh for all of Savin's stock and royalty interests in Rapifax Corporation. Rapifax distributes facsimile machines manufactured by Ricoh.

Savin said Rioch will then own all of the stock of Rapifax. The remainder of the $18m. payment represents settlement of various other contract disputes, including royalties.

The company said the settlement requires that the companies reach new agreements to replace the existing agreement under which Ricoh now manufactures, and Savin distributes exclusively in the U.S., the 700 Series of Liquid Toner, plain paper photocopiers.

Savin will continue as the exclusive distributor in the U.S. of the 700 Series Liquid until September 30, 1983, the company said.

Savin will have the option to continue to distribute Ricoh-manufactured liquid toner copiers on a semi-exclusive basis after September 30, 1983.

Although Savin said its distribution rights on Ricoh-manufactured liquid toner machines will continue until September 30, 1983, Ricoh may from July 1980 start to distribute its own dry powder machines (non-liquid toner) in the U.S.

Agencies

Assets disposal hits Searle

OPERATIONS of G. D. Searles products groups, particularly consumer-pharmaceuticals and optical products, registered fourth quarter and annual increases in sales and profits. But an increase in the company's tax rate and a net loss from discontinued operations resulted in an overall loss of $28.4m. against a profit of $61.5m., or $1.18 a share previously, AP-DJ reports.

Full year results included an income from continuing operations of $35m. or 68 cents a share, and a net loss from discontinued operations of $63.83m. including a $59m. loss on disposal of assets.

Addressograph back to dividends

CLEVELAND, Feb. 21.

ADDRESSOGRAPH - Multigraph the maker of business machines is resuming quarterly dividends with a payment of 5 cents a share for the second quarter of 1977-78. The last regular quarterly dividend was of 15 cents in April 1974 but the group has since paid special dividends of 10 cents a share in November 1976 and November 1977.

Profit for the latest second quarter was equal to 52 cents a share, with total net of $4.3m. compared with a net loss of $708,000.

Revenue increased to $164.1m. from $144.1m.

For the six months, net profit reached $6.4m. or 760 cents a share compared with an operating loss of $950,000. In the year earlier six months, a special charge of $5.3m. made a final net loss of $6.2m. Revenue was $313.1m against $279.9m.

Results for the second quarter and six months of fiscal 1978 include a charge of $648,000 which is the net effect of income from a licensing fee, and the disposal of a plant and the costs for relocation of headquarters facilities.

The year earlier three months and six months periods were restated for accounting changes adopted at fiscal year end.

For 1977, Addressograph reported a net loss of $19.3m. against restated net income of $5.6m. or 70 cents a share, after sales had risen by 4 per cent. to $596.2m. The 1977 loss reflected an $11.2m. loss from writing off assets of discontinued operations, an $11m loss for one time costs of relocating operations and $7.6m. on changes in accounting methods.

Mr. Roy L. Ash, the chairman said in September that because of the charges taken in 1977, "substantial operating progress should be achievable without further unusual adjustments."

Agencies

National Life talks off

JACKSONVILLE, Feb. 21.

NATIONAL LIFE of Florida Corporation said it has called off merger talks with USLife Corporation.

USLife had proposed to pay about $24.8m for all of National Life of Florida's approximately 2.5m. shares outstanding.

National Life said some of its top officers could not agree with USLife regarding the terms

AP-DJ

McDermott and Babcock finalised

NEW ORLEANS, Feb. 21.

J. RAY McDermott and Co. and Babcock and Wilcox said in a joint statement that their negotiating committees and directors have approved terms for Babcock's merger with McDermott.

McDermott owns about 49 per cent. of Babcock shares, most of which were acquired in 1977.

The companies said the merger agreement is complete and filings of the proxy and registration statements have been made with the Securities and Exchange Commission. Proxies are to be sent to shareholders shortly.

According to the terms, Babcock holders will receive one share of new McDermott $2.20 cumulative convertible preferred stock plus one share of new McDermott $2.60 cumulative Preferred for each Babcock common share.

The convertible preferred stock will be convertible initially into one share of McDermott common.

The terms of the securities are the same as those announced by the negotiating committees in December, except that the annual dividend on the straight preferred stock is $2.60 rather than $2.50 as previously planned.

McDermott and Babcock said their respective shareholders are to meet on March 20 to vote on the proposed merger.

Reuter

AMERICAN QUARTERLIES

ARVIN INDUSTRIES

Fourth Quarter	1977 $	1976 $
Revenue	114.0m.	101.0m.
Net profits	5.0m.	5.2m.
Net per share	0.74	0.78
Year		
Revenue	460.0m.	400.0m.
Net profits	29.0m.	23.0m.
Net per share	4.44	2.60

CARRIER

First Quarter	1978 $	1977 $
Revenue	361.5m.	249.8m.
Net profits	11.1m.	5.7m.
Net share dil.	0.38	0.23

DEERE

First Quarter	1978 $	1977 $
Revenue	789.9m.	605.9m.
Net profits	48.22m.	40.23m.
Net per share	0.80	0.67

ENGELHARD MINS. & CHEMS.

Fourth Quarter	1977 $	1976 $
Revenue	2.04bn.	1.99bn.
Net profits	29.75m.	29.67m.
Net per share	0.95	0.94
Year		
Revenue	7.33bn.	6.46bn.
Net profits	122.57m.	124.87m.
Net per share	3.88	3.99

GT. WESTERN UNITED

First Quarter	1978 $	1977 $
Revenue	90.6m.	110.3m.
Net profits	*2.3m.	*2.1m.

* Loss

IC INDUSTRIES

Fourth Quarter	1977 $	1976 $
Revenue	489.6m.	442.6m.
Net profits	21.4m.	20.7m.
Net per share	1.22	1.32

LUBRIZOL

Fourth Quarter	1977 $	1976 $
Revenue	130.0m.	111.0m.
Net profits	14.0m.	12.0m.
Net per share	0.73	0.61
Year		
Revenue	515.0m.	457.0m.
Net profits	58.0m.	51.0m.
Net per share	2.96	2.52

SAFEWAY STORES

Fourth Quarter	1977 $	1976 $
Revenue	3.6bn.	3.3bn.
Net profits	32.0m.	32.0m.
Net per share	1.22	1.24
Year		
Revenue	11.0bn.	10.0bn.
Net profits	102.0m.	101.0m.
Net per share	3.93	3.89

INTERNATIONAL FINANCIAL AND COMPANY NEWS

ITALIAN BOURSE

A tentative new year rally

BY DOMINICK J. COYLE IN ROME

PRICE movements on the Italian Stock Exchange have been so consistently downwards in recent months that dealers right now are hard put to explain away the sudden—and perhaps even temporary — reversal of trends. Yet the fact is that the Mediobanca index did reach a new 1978 high on Monday, fewer than 30 trading days from the year's low on January 10.

The Mediobanca index which closed on Monday at 32.83—compared with a base of 100 17 years ago—was more than 14 per cent. up on the January 10 level, and was close on 10 per cent. better than on the nearest corresponding day's trading 12 months ago.

This trend of generally upward movement in prices in recent weeks has, of course, been interrupted by the occasional hiccup, and in fact minus signs prevailed in the majority of marks yesterday on the Milan Bourse, which is by far and away the most important component of the Italian exchange.

The Mediobanca index closed last night at 32.58. Yet on Monday, for example, gains outnumbered losses by a factor of three to two, and volume has improved.

Daily turnover is currently running at an average of 1.5bn. in nominal value. Not much, of course, by most international standards, but more than treble that which prevailed here in the dog days of last summer when market gossip turned more on the prospect of some brokers going bankrupt than on "good buys" for the future.

Some brokers have, indeed, gone to the wall, and for a while even their clerks went on strike in protest against what they said was a failure of the Government to take measures to revitalise the Stock Exchange. Right now there is actually no Government in Rome, other than Sig. Giulio Andreotti's minority Christian Democrat administration, which continues in its caretaker capacity. Yet the bourse has managed to rise to a 1978 high.

With less than 2 per cent. of families' savings now going into the Stock Exchange, the Italian bourse remains a thin market. But the January account has seen a reversal in the near-chronic downward trend in equity prices which has prevailed in recent months, and this movement has continued into February.

Fixed-interest securities, in particular, have maintained their recent advance, even more so bonds with indexed interest rates. This reflects, in part, the slower than anticipated reduction in Italian short-term rates generally and, at long last, signs that the level of inflation is being contained and even gradually reduced. The market has been helped, too, by the Government's decision to increase the rate of taxation of bank deposits.

Yet the more fundamental reasons for the improvement in market sentiment are much less quantifiable, and at bottom they may even turn out to be illusionary. Nonetheless, Milan brokers have been impressed with the recent comments of Sig. Luciano Lama, head of the Communist-dominated trade union CGIL, that for the immediate future wage levels may have to take second place to providing new jobs for the country's mounting total of unemployed.

Sig. Lama, whose recently stated philosophy has since been endorsed generally by leaders of Italy's three big trade union confederations, has also said that companies can no longer be saddled with surplus labour, merely because the unions will not (or, at least, have not to date) accepted the principle of labour mobility. All of this naturally, has been unexpectedly sweet music to stockbrokers' ears.

At the same time, the market has been helped by some encouraging signs on the profits front. Fiat has reported another good year, Olivetti has done well in 1977, although final details are still awaited, and Pirelli is known to be climbing out of its miseries. Major state-private sector groups like Montedison continue in financial difficulties, but these have now become so acute, that the market expects some positive reconstruction moves by the incoming government.

Expansion pays off at Elsevier

By Charles Batchelor

AMSTERDAM, Feb. 21.

DUTCH PUBLISHING companies had a good year in 1977 and prospects for the current year are also good, according to the results of two major publishers. Elsevier, a company with a strong international bias and one of the world's largest publishers of scientific journals, reported an 18 per cent. increase in its profits and sales.

It gave no precise figures, but on the basis of its 1976 result this would produce profit in 1977 of Fls 22.8m. ($10.35m.) on sales of Fl 595m. The company forecast further increases of 14 per cent. in both profit and sales for the current year.

Nederlandse Dagbladunie (NDU), a major newspaper publisher with substantial general printing interests, said 1977 net profit rose more strongly than expected to Fls. 10.3m ($4.68m.) from Fls. 7.1m. the year before. Sales rose to Fls 415m ($188.47m.) from Fls. 331m. This includes for the first time the printing company Vlasveld which was acquired in 1977. Vlasveld had sales of some Fls.35m.

Gervais-Danone recovery slowed by price controls

BY DAVID CURRY

PARIS, Feb. 21.

GOVERNMENT-imposed price control and poor weather have combined to put a spoke in the wheel of the recovery programme of the diversified French group, BSN-Gervais-Danone.

The group is one of the largest in the food sector—it controls almost half of the national beer market through its Kronenbourg and Kanterbrau brands—and is also France's biggest concern in the glass packaging field.

Its other main interest is in flat glass where it and St. Gobain dominate the national market.

Provisional figures show that sales last year improved by some 10 per cent. in absolute terms from Frs 11.75bn. (£1.25bn.). However, correcting for monetary movements and changes in structure, the real growth was a more modest 7.8 per cent.

The group notes that the profit objectives—never publicly disclosed—set in the course of the first half of the year will not be achieved. In 1976 the group chalked up net profits of Frs.46.2m. following a Frs.56m. loss the year before.

The main priority of the recovery programme has been to escape from too great dependence on the home market: some 60 per cent. of all sales were in France, and 80 per cent. of those in the food sector. Within this area the beer interests were designated for sustained expansion.

Food, in fact, showed the most sluggish growth in 1977, retarded by the poor drinking weather over a cold summer. Turnover was 6.4 per cent. higher at a shade below Frs.7bn.

The packaging sector was 8 per cent. to the good at Frs.1.74bn., while the best performance came from the flat glass activities, drawing notably on record output in the French motor industry to show a 10 per cent. improvement to Frs.4.19bn.

Although group figures will be disappointing, parent company profit in 1977 will be up (Frs.59.3m. in 1976) since this will reflect the dividends paid by companies and earned on their 1976 activities.

EUROBONDS

New sterling issue from FFI

BY MARY CAMPBELL

THE announcement of a new sterling Eurobond issue provided interest for the London market yesterday. Although several dealers also reported higher than usual activity even in U.S. dollars, this sector remained basically depressed. "D-Marks red-hot, dollars lousy," as one dealer phrased it, is the way the market continues.

The new sterling issue is for Finance for Industry (FFI), which raised one issue on this market late last year. The terms include a 10 per cent. coupon on an 11-year final maturity (average life slightly under nine years). The lead manager is S. G. Warburg and the issue is being done on the same basis as the European Investment Bank Eurosterling issue which it also handled: the bonds have been bought by a management group and there will be no separate underwriting group.

The big puzzle about the FFI bonds in particular remains why Eurobond investors should choose to buy these bonds when there is such a wide variety of domestic issues outstanding which yield well over a point more. This is even after allowing for the selling group discount on the new issue which could be passed on to investors.

Interest on FFI domestic issues (or those of its subsidiary the Industrial and Commercial Finance Corporation) is payable to foreign investors gross of tax provided they get the Inland Revenue to send approval of this to FFI. In order to get such approval, the foreign investor merely has to get the Revenue to accept that he is non-resident.

Like most of the outstanding domestic bonds, Eurobonds are Unsecured Loan stock. The difference in yield between the Eurosterling and the domestic bonds thus puts a high premium on the anonymity available on bearer securities, and also on the saving in trouble involved in getting clearance to have interest paid gross.

There are perhaps three factors explaining this bizarre situation: first, one may assume that there is a limited pool of funds which values anonymity above all else. Second, banks and investment houses have an incentive to go out and sell Eurobonds (which does not exist in the case of the domestic bonds) in the form of the fee which they earn on each bond sold. Third and, perhaps most appealing, is the explanation given in the comment of the portfolio manager in the way of the last FFI issue — he said that he did not realise that there were any domestic bonds available anyway.

● David Renwick adds from Port of Spain: Oil-rich Trinidad and Tobago, which last year raised $150m. from the Euromarkets in the form of a medium term bank loan, is now planning to tap several sectors of the international bond market. Announcement of a DM60 placement via Deutsche Bank is expected before the end of this week with the proceeds being scheduled for general development purposes.

Consortium banks optimistic

By Michael Blanden

INCREASED PROFITS are reported by the Intermex Group, the international consortium bank whose main subsidiary is the London-based International Mexican Bank.

The group's pre-tax operating profit for 1977 rose to $4.07m. (£2.12m. at the end-year exchange rate) compared with $3.67m. in the previous year. In addition to this, however, the group reports a profit of £1.34m. arising from changes in the value of assets due to fluctuations in exchange rates to bring the total pre-tax earnings to $5.41m.

The major contribution came from the London operation, which disclosed operating earnings of £2.34m., partly offset by losses on exchange rate movements to leave a pre-tax profit of £2.07m.

The group chairman, Mr. Agustin F. Legorreta, comments in his annual statement that the profit "represents in fact a substantial improvement in the quality of our London earnings since operating profit went up by one half including a growth in fee income by two-thirds."

Swiss bank liquidation

IN A REPORT published in yesterday's Financial Times, the headline indicated that Overseas Development Bank, of Geneva had failed. This is not the case. The bank will go into liquidation following an Appeal Court judgment upholding the withdrawal of its banking licence, but all creditors of the bank can be repaid immediately.

Varta indicates higher profits

BY GUY HAWTIN

FRANKFURT, Feb. 21.

VARTA, the leading West German battery manufacturer, has indicated improved profits for 1977. According to its executive board, earnings will cover an appropriate dividend, as well as allow for a strengthening of the company's financial resources.

Varta's statement which is bullish in tone, quotes no hard figures either for profits or turnover. It gives only percentages, and then not for profits.

In 1976, however, Varta group turnover world-wide amounted to DM2.12bn. ($1.04bn.) The dividend was 14 per cent. or DM7 per DM50 share. Group net profits rose heavily from 1975's DM34.8m. to DM48m., and the parent company's net went up from DM28.2m. to DM41.3m. Earnings per share improved from DM12.70 to DM19.50.

However, during the course of last year the group was radically restructed into three separate companies each with its own separate management and its own stock exchange quotation. The three concerns are Varta, Busch-Jaeger and CEAG and each will be producing its own balance sheet and paying its own dividend. To-day's report covers Varta AG.

In 1976 the battery manufacturer saw sales rise by 6.5 per cent. to DM1.13bn., but lack of information makes it hard to estimate last year's overall sales increase.

To-day's shareholders' circular says that European turnover in the battery sector went up by only 5 per cent. owing to the continued difficulties of the capital equipment sector. A new range of batteries was introduced, however, and this, combined with successful rationalisation measures at the group's main German works, led to an improvement in profits.

In the starter battery sector, European sales grew by 7 per cent. The group benefited from the maintained improvement in car sales, although business did not fully live up to expectations throughout the rest of the continent. Turnover in the dry battery sector rose by 4 per cent.

Things were considerably better at the Varta Plastic subsidiary, where sales soared by 18.2 per cent., exceeding even 1976's 16.8 per cent. Assuming that Varta Plastic has been through very little real restructuring, its turnover is likely to have risen from 1976's DM16.7m. to DM19.74m.

World-wide capital investment last year amounted to DM60m., 10 per cent. up on 1976's figures. The bulk of investment spending —DM41m.—was allocated to the domestic market.

German-Nordic Bank growth

BY OUR OWN CORRESPONDENT

FRANKFURT, Feb. 21.

DEUTSCHE - Skandanavische Bank, which opened its doors for business here only two years ago, has taken a significant step towards establishing itself as the leading specialist in Scandinavia in the Federal Republic. In its annual report, published to-day, its management disclosed that its balance sheet total grew by some 68 per cent. to DM 1.03bn. The growth rate, said the report, was rather faster than anticipated.

The new bank, the joint offshoot of Bayerische Landesbank Girozentrale and the Skandanaviska Enskilda Bank, reported a net profit of DM380,000 ($182,000) compared with last year's DM76,000.

According to to-day's report, the commercial credit business had developed as expected with the loan portfolio up by DM180m., or 50 per cent. to DM540m. The rise was equally divided between German and Nordic customers. Furthermore, the long term corporate portfolio rose by 80 per cent., all refinanced with matching term deposits at satisfactory margins.

Growth in short and medium term lending was limited by tough competition to 40 per cent., the volume of bill-discounting business was maintained at a high level. The bank this year started dealing in certificates of indebtedness and this, coupled with the increase in foreign business, pushed up loans to banks by 150 per cent. to DM150m. In this context the bank led a consortium of other German banks to place a DM60m. certificate of indebtedness issue by Swedish Match on the domestic and international markets.

The bank has also been increasing its activity in the new issue business of mainly Nordic borrowers. It acted as underwriter in the placement of seven major bond issues, six Swedish and one Finnish. On the foreign exchange side it has built up and expanded its dealing operations, specialising in spot and forward markets for the Nordic currencies both in Europe and overseas.

Stake in Stevin changes hands

By Jeffrey Brown

SOME two-fifths of the capital of Dutch based international contractors, Stevin Group, has been acquired by Antillian Holding NV of Curacao.

A seven-line statement issued simultaneously in London and Amsterdam late yesterday afternoon disclosed only that Antillian is controlled by the Heerema family and that the purchaser had no plans to "intervene" in the day to day management of Stevin.

On the open market last night, a 40 per cent. equity stake in Stevin was worth almost £20m. Last December the company, which has expanded rapidly by acquisition since its formation in 1970 by the merger of three old-established Dutch construction groups, raised around £5.5m. by way of a rights issue.

ISRAELI STOCK MARKET

Investment becomes a popular game

BY L. DANIEL IN TEL AVIV

PLAYING the Stock Exchange may be said to have become the most popular occupation of Israelis though the downturn in the market recently has cooled enthusiasm.

Radio news coverage of dealing on the Tel Aviv Exchange, which used to be confined to a three-minute late afternoon spot, now figures prominently on the three daily programmes. The phrase "playing on the Stock Exchange" is an apt description, though many of those who have entered the arena over the past 12 months would repudiate the description.

Whereas, until late 1976, the Tel Aviv Exchange was staid, with trading in the largely non-speculative Government index-linked bonds dominating the market, the picture has changed radically since then. In 1976, trading in these bonds accounted for 69.1 per cent. of turnover on the floor (77.1 per cent. in 1975) and short-term Government notes for a further 2 per cent. (with shares and convertible debentures accounting for only 25.7 per cent. and 3.2 per cent. respectively). The position was reversed in 1977 when shares constituted the bulk of business —62.8 per cent.—and convertible options for 7.1 per cent. against 29.4 per cent. for index-linked bonds and 0.7 per cent. for short term notes.

Equally spectacular was the expansion of the volume of trading. Dealings on the floor (purchase/sale are counted as one in contrast to the London practice) rose from I£4,560bn. in 1975 to I£5,584bn. in 1976, in line with the inflation, but soared to I£18,088bn. in 1977. Daily trading, which used to average I£23m. at the beginning of 1976 and I£18.5m. in the last quarter of that year, rose steadily throughout 1977 to around I£70m. a day towards the end of last year, with the record reaching I£130m. The index rose from its base of 100 on December 23, 1976, to a high of 260 in late November 1977, as a result of the heavy and often indiscriminate buying. The index stands currently at the equivalent of 185, a reversal having finally set in in November (the index was revised to a base of 100 on December 22, 1977, and is currently at 98).

As these figures indicate, the shift started in the last quarter of 1976. Due to the concern to safeguard the value of capital by 100 per cent. linkage to the cost of living index, linked bonds attracted the bulk of capital during 1973-76, with the result that many shares were badly undervalued in the light of Israel's 40 per cent. per annum inflation rate. The re-adjustment of share values from late 1976 onwards began to attract the attention of the public at large, especially as new Government bond issues had become less attractive since the linkage (for all but institutional investors) was successively reduced to 90 per cent. and then 80 per cent. Reports of money being made easily in share dealings began to reach large sectors of the population never before interested in the market.

At the same time, about I£8,000m. worth of linked bonds came up for redemption in 1977. Part of this—together with a substantial proportion of the large amount of undeclared income floating in the economy —found its way into the share market as a safe tax haven, since gains on share dealings, like those on linked bonds, are exempt from taxation. Funds earmarked for investment in equipment were also diverted to the share market, and real estate prices remained almost stagnant despite the 40 per cent. plus inflation.

With reports of huge profits spreading like a bush fire, wage earners began to sell old cars or flats, even soldiers put their meagre savings into the market, and huge crowds congregated daily round the Exchange. In all of this, the "new investors" paid little or no attention to likely dividends. As early as April, 1977, the Stock Exchange authorities warned the public against indiscriminate buying not backed by knowledge of the assets or earning prospects of the companies concerned. It is pointed out by the director of the Exchange, Dr. D. Ottensooser. But neither this nor repeated warnings were heeded, with the undiscriminating encouraged by the Likud Government's declared intention to use the stock market as the major instrument for raising capital for industry, which, under Labour, had relied mainly on the Government for investment capital.

As early as April, 1977, the Stock Exchange authorities warned the public against indiscriminate buying not backed by knowledge of the assets or earnings prospects of the companies concerned

The fires of indiscriminate buying were fanned by the overnight emergence of inexperienced and unlicensed portfolio managers or "investment consultants." The quandary of the traditional investment advisers, the banks and the 10 brokerage firms who are members of the Exchange, was summed up by one of them thus.

"I would tell a client that a particular share was already over-valued, and advised against buying it. Then, on the morrow it climbed another 30 points. The next time, he listened to his neighbour or the self-styled experts."

When the inevitable adjustment of quotations to more realistic levels began to set in, many a smaller investor who bought at the height of the boom had his fingers badly burned. Those who entered the market at the beginning of 1977, when the general index was 100, have nothing to complain about at to-day's 185 (the inflation rate for 1977 was 42.5 per cent.). It is a different story for those who bought at the peak, and it will take some time for the small man to regain the confidence which is needed to implement the Government's plan to encourage more industrial enterprises to go public. Nevertheless, in the conditions of continuing 30 per cent. plus inflation, new issues continue to attract a high rate of over-subscription, even highly speculative ones.

mprovement at ammonia lant gives AECI a lift

ICHARD ROLFE JOHANNESBURG, Feb. 21.

WING the strong perfor- y Sentrachem, the leader local chemicals sector, which ICI and De Beers al Corporation each hold ent., has produced a com- advance for the year to er 31.

turnover is up from o R590m. ($1.79bn.) and ding income ahead from to R75.9m. ($230.3m.), have hardened slightly. trading profit figure has uck after a big increase ovision for depreciation. has been raised from to R43.3m. Adding this rgins are ahead by about t the gross level.

y because of expenditure on the Coalplex venture, in which AECI holds 60 per cent., the tax charge is down from R15.7m. to R10.2m., but a sum of R16.3m. which represents tax savings from investment allowances has been taken to non-distributable reserve. So the net attributable figure is up from R31.3m. to R37m. while earnings per share, reflecting last year's heavy rights issue to finance Coalplex, are down from 29.7 cents to 24.9 cents.

The big rise in turnover is to some extent due to inclusion during 1977 of the figures from SA Nylon Spinners, which added about R85m. But the higher profit, according to the Board, is largely attributable to a sustained improvement at the group's No. 4 ammonia plant. In general terms, this seems to have lost money during 1976 but to have swung round into substantial profit last year.

Cover for the dividend, maintained at 18 cents, is down sharply from 1.65 to 1.38 times, but the figures are better than generally expected, at least up to the time of the Sentrachem results. The shares, at 200 cents, yield 9 per cent.

Scope for increasing the dividend looks limited in the current year and possibly in 1979, but provided the R260m Coalplex lives up to expectations (and the Board says all its plants come on stream during the last quarter of 1977) profits should improve substantially over 1979-80.

oost for Asiadollar market

F. LEE SINGAPORE, Feb. 21.

NGAPORE Government ounced new tax con- for operations in the llar markets in Singa- le move which was dis- the Monetary Authority ore (MAS) in a circular will lead to increased in the market, and Singapore's competitive- major loan syndication

the new measures the ent. concessionary tax ncome earned by the rency unit of banks and banks has now been to more areas of activity in the Asian dollar market.

The first is transactions in Asian dollars in the bank markets. These include loans, placement of funds, bankers acceptances, bills and certificates of deposit. The second is the managing, underwriting and selling of bonds, debentures and certificates of deposits (fixed rate and floating rate) in the primary market. The third is the trading of these instruments in the secondary market, the fourth, provision of advisory services in the Asian dollar market and the fifth transactions in currencies other than the Singapore dollar.

sly only income earned ted areas in the Asian rket were taxed at a ary rate, of 10 per gainst the usual 40 per orate tax.

oncessions are on loans private placements to outside Singapore; r confirming of letters for offshore third ade transactions; and ing of offshore third ade transactions with letters of credit.

he new concessions will take effect ly from January 1 the 10 per cent. con- tax rates will now be o five additional areas

In addition the MAS has disclosed changes to bring about a more realistic system under which banks apportion their operating expenses, in their total income from Asian dollar activities.

Some banks with large Asian currency departments and extensive banking activities have in the past complained that they have not been able effectively to enjoy the ten per cent. tax rate and they have not been able to charge fully expenses incurred in their Asian dollar activities.

The new concession is expected to help Singapore secure a bigger share of the loans syndication market against its major rival Hong Kong. The British colony currently does not tax income from offshore loans at all and hence has been able to attract the bulk of the loans syndication business.

Singapore is unlikely to follow Hong Kong in removing completely tax on offshore operations as the Government view that tax concession is not the only means to foster the development of the Republic as an international financial centre. Other political and social economic factors it feels are equally important. Also, the Government is believed to be trying to avoid Singapore being tagged as a tax haven as it will create obstacles in its negotiations on double taxation agreements with other countries. Besides, the ten per cent. tax yields good revenue.

C Industries setback

ES FORTH SYDNEY, Feb. 21.

NG THE depressed he Australian motor ustry, LNC Industries 58 per cent. setback in r the December half s of the motor vehicle dropped from $A4.6m. on an 18 per cent. sales.

im dividend, however, ed at 6 cents a share, l lift of 10 per cent. increased recently by le. The result con- a 53 per cent. gain in or 1976-77 but is in he lower profit fore- last annual meeting. rectors said that les in the year to were the lowest for and the result was ely affected by higher related costs, as well ngthening of the Ger- Japanese currencies, ased the cost of im- those countries.

performances were the parts and accessories and manufacturing divisions. Although a quick recovery is not anticipated for the vehicle market the directors anticipate an improvement in the second half.

Shop centres lift Westfield

By Laurence Stephens

SYDNEY, Feb. 21.

AUSTRALIAN property developer Westfield's concentration on shopping centres, which protected it from the depression in the property market in recent years, has again proved a sound policy, with net profit growing 25.5 per cent. in the six months to December to $A1.39m. (U.S.$1.59m.).

This improvement was attributed to higher returns from the group's 13 local shopping centres, the Shore Motel in Sydney and a full half-year's earnings from a shopping development in Connecticut, U.S.

TED EURODOLLAR BOND PRICES

MID-DAY INDICATIONS

	Bid	Offer	DM BONDS	Bid	Offer
d 8½pc 1989	95½	96½	Austria 6½pc 1985	107	107½
87	96¼	97	BFCE 7pc 1987	104½	105½
1992	94½	95½	Denmark 6½pc 1983	106	106½
& S. 8½pc '92	97½	95½	EIB 6½pc 1984	105½	106½
8½pc 1992	96½	97½	Grand Met. 7pc 1984	103½	104
1992	97½	98	Hydro-Quebec 6½pc 1987	103	103½
ay 8½pc 1986	96½	97	ICI 6½pc 1987	104½	105½
l 9½pc 1986	97½	98½	Montreal 7pc 1987	102½	103½
1984	99½	100½	Norsea Gas 7pc 1989	104	105½
	98½	99	Norsk Hydro 6½pc 1989	104½	105½
	96½	97	Norway 5½pc 1982	104	104½
	98½	99	Shell 6½pc 1989	108½	109½
	95½	90	Spain 6½pc 1984	102	102½
1989	96	96½	Sweden 6½pc 1984	105½	106½
Nov.	100½	101½	World Bank 6½pc 1987	104½	105
r 8½pc 1984	98½	99½			
1997	100½	101½	FLOATING RATE NOTES		
9pc 1992	95½	98	Bank of Tokyo '84 7 13/16pc	99	99½
	96½	97	BFCE 1984 7pc	98½	99
pc 1986	102½	103½	BNP 1983 7pc	99½	100½
del 9pc '92	98	96½	CCF 1983 8pc	99½	100
n 9½pc 1991	94½	97½	CGMF 1984 7½pc	95½	98½
1986	101½	102	Creditanstalt 1984 7½pc	99	99½
n, 8½pc 1992	97	97½	Credit Lyonnais 1982 8pc	99½	99½
d 9pc 1987	94	94½	DG Bank 1982 7 15/16pc	99½	100½
str. 9pc '86	102	102½	GZB 1981 7½pc	100½	100½
9pc 1989	99	99½	Intl. Westmnstr. '84 7 15/16pc	99½	100½
k. 8½pc 1992	95½	96½	Lloyds 1983 7½pc	100½	100½
989	95½	96½	LTCB 1983 8pc	99½	100
½pc 1992	95½	96	Midland 1982 8pc	101	101½
	100½	101	Midland 1987 7 11/16pc	99½	99½
9pc 1991	98½	99½	OKB 1983 7½pc	99½	100
pc 1995	95½	96	SNCF 1985 6½pc	99½	96½
8½pc 1996	99½	100	Std. and Chtrd. '84 7 11/16pc	99½	99½
nal 9pc 1997	93	93½	Wms. and Glyns 1984 7pc	99½	100½
	93½	94	Source: White Weld Securities.		
9½pc 1989	91½	92½			
a 9pc 1991	98½	99½	CONVERTIBLES		
	91½	92½	American Express 4½pc '87	80	82
n 8½pc 1987	93½	94½	Ashland 5pc 1988	87½	89½
9pc 1989	98½	90	Babcock & Wilcox 6½pc '97	93	94
March	92½	93	Beatrice Foods 4½pc 1992	93½	95½
			Beatrice Foods 4½pc 1992	103½	105½
			Beecham 6½pc 1992	97	98
1984	94½	95½	Borden 5pc 1992	99	101
pc 1987	93½	94½	Broadway Hale 4½pc 1987	76	78
yd 7½pc '85	97½	94½	Carnation 4pc 1987	78	78
1984	96½	99½	Chevron 5pc 1988	116½	118½
5pc 1998	97½	95½	Dart 4½pc 1987	76½	78½
	95	94½	Eastman Kodak 4½pc 1988	79	81
	96	96½	Economic Labs. 4½pc 1987	78	80
	96½	97½	Firestone 5pc 1988	79½	81½
	96½	97	Ford 5pc 1988	81½	83½
4pc 1984	98½	97½	General Electric 4½pc 1987	79½	81½
e 1982	96	93½	Gillette 4½pc 1987	76	78
983	97½	98½	Gould 5pc 1987	108	110
083	99½	100½	Gulf and Western 5pc 1988	78	80
8½pc 1981	100	100½	Harris 5pc 1992	137	139
9pc 1984	97½	97½	Honeywell 6pc 1986	83½	85½
y 9½pc '83	100½	101½	ICI 6½pc 1992	87	89
pc 1986	97½	98½	INA 6pc 1997	90½	92
k 7½pc '84	94½	95½	Inchcape 6½pc 1992	103½	104½
7pc 1982	96½	97½	ITT 4½pc 1987	75½	77½
82	96	98½	Jusco 6pc 1992	102	103
9pc 1987	94½	95½	Komatsu 7½pc 1990	111	112
	100½	101	J. Ray McDermott 4½pc '87	143½	147½
8½pc 1981	99½	100½	Matsushita 6½pc 1990	123½	124½
7½pc 1982	97	97½	Mitsui 7½pc 1990	106	107
n 7½pc '82	99½	97½	J. P. Morgan 4½pc 1987	92	94
84	99	99½	Nabisco 5½pc 1988	99	101
'87 May	92½	93½	Owens Illinois 4½pc 1987	107½	109½
r 1987	93½	94½	J. C. Penney 4½pc 1987	74	76
			Revlon 4½pc 1987	105	107
NDS			Reynolds Metals 5pc 1988	82	84
1980	94½	97	Sandvik 6½pc 1988	107½	109½
	99½	100	Sperry Rand 4½pc 1987	81	83
	99½	100½	Squibb 4½pc 1987	75½	77½
	94½	99	Texaco 4½pc 1988	73½	77½
7½pc 1987	98	99½	Toshiba 6½pc 1992	100½	101½
87	100½	101½	Union Carbide 4½pc 1982	90½	93½
	99½	99½	Warner Lambert 4½pc 1987	78	80
1989	98½	99	Warner Lambert 4½pc 1988	73	75
	75½	91	Xerox 5pc 1988	76	78
1984	98½	99	Source: Kidder, Peabody Securities.		

JAPANESE NEWS

Bank of Japan sees no problems after collapse of Eidai

TOKYO, Feb. 21.

THE COLLAPSE of Eidai Co. Ltd. is not likely to affect the Bank of Japan's credit policy in general or its official discount rate in particular, bank officials said.

It is wrong to assume that Eidai's failure will increase the possibility of a further official discount rate cut from the current 4.25 per cent., they said.

The central bank believes measures should be taken to prevent Eidai's collapse producing ill-effects on customers who have bought its pre-fabricated houses or on its smaller business associates, they said.

Eidai's collapse will not have widespread repercussions on the Japanese economy because the failure was due largely to the company's excessive expansion before the 1973 oil crisis and failure to deal with problems properly since then, they said.

The Japanese plywood industry, in which Eidai was the leading manufacturer, is one industry suffering a structural recession which the Japanese government is trying to help rationalise, they said.

● The outstanding part of the $10m. Eidai convertible bonds has become repayable at 104 per cent. of principal amount, together with accrued interest.

Reuter

Pioneer Electronic dips

TOKYO, Feb. 21.

PIONEER Electronic's consolidated net income in the first quarter ended December 31 fell 24.8 per cent. to Y3bn. ($11.2m.) from Y4bn. in the previous year's corresponding period.

Consolidated sales dipped 0.8 per cent. in the quarter to Y54.86bn. ($205m.) from Y55.34bn in the first quarter of fiscal 1977. Net income per Curacao depositary share (equal to ten common shares) fell to Y352 from Y479, and per American depositary share (two common shares) to Y70 from Y96.

The company said overseas sales rose 5.5 per cent. from a year earlier to Y33.54bn., or 61.1 per cent. of the total against 57.5 per cent., but domestic sales dropped 9.4 per cent. to Y21.33bn.

"These figures reflect the sluggish state of the hi-fi audio market in Japan and the sharp rise of the yen's value," the company said in a statement.

Expected consumer demand in the first quarter in Japan for hi-fi stereo products, normally the peak for demand, did not materialise, it added. Hi-fi stereo audio product sales in the quarter thus fell 13.7 per cent. to Y36.18bn., 66 per cent. of sales against 75.8 per cent. a year earlier.

AP-DJ

MEDIUM TERM CREDITS

Abu Dhabi guarantee on loan to Sharjah

By Francis Ghilès

THE EMIRATE of Sharjah is raising a $200m. medium-term loan for eight years. This is a private operation being organised by the Banque Arabe et Internationale d'Investissement. The spread is not as yet disclosed but is certain to be much lower than the 1½ per cent. which the Municipality of Sharjah concluded last May.

The major reason for such fine terms is that the Emirate of Abu Dhabi has provided a guarantee. This is believed to be the first time Abu Dhabi has granted a guarantee to another member of the United Arab Emirates for a medium term loan of this kind.

The amount of the loan is considerable for this borrower, representing at least six times Sharjah's income from oil in 1977.

Sharjah is known to have borrowed about $120m. in the international financial markets so far, but the real figure is higher as the ruler has given his personal guarantee for an undisclosed amount of foreign borrowing.

Just signed in London are three medium-term loans: $17.5m. for Beogradska Banka for five years carrying a spread of 1½ per cent. (lead manager is Grindlays Brandts); $20m. for five years carrying a spread of 1½ per cent. for Royal Moroccan Airlines guaranteed by the Kingdom of Morocco (lead manager is Amex Bank); and $30m. for the City of Sao Paulo for eight years carrying a spread of 2½ per cent.

Doubled profits at Eczacibasi

BY METIN MUNIR ISTANBUL, Feb. 21.

THE ECZACIBASI Group of Istanbul, Turkey's third biggest privately owned concern, recorded unconsolidated pre-tax profits totalling the equivalent of $15.5m. in 1977, according to preliminary returns, a group spokesman told the Financial Times here.

This was an increase of 110 per cent. on the previous year, and was attributed to increased capacity and sales, a continuing strong demand as well as higher prices.

Eczacibasi, manufacturer of pharmaceuticals and sanitary ware, had a high growth in turnover as well, which went up by 52 per cent. to $143m. in 1977. Investments totalling $25m. were realised.

It was the best year the group had enjoyed, but a better one was being awaited this year. Targets in 1978 included turnover growth of 78 per cent., to the equivalent of $254.5m pre-tax profits growth of 167 per cent., to $41.5m., investments 103 per cent. to $52m., and assets 28 per cent. to $166m.

Eczacibasi Group has recently set up a L300m. ($15.5m.) company, INTEMA, which will enter into the manufacture and marketing of construction and sanitary material. The group owns half of the equity, the other half of which has been sold to Eczacibasi agents. INTEMA will make investments in eight fields including a $39m. enamel complex, and $13m. gypsum and gypsum products plant.

Garanti expansion

BY OUR OWN CORRESPONDENT ISTANBUL, Feb. 21.

GARANTI, Turkey's third biggest privately-owned bank, is to double its capital to 600m. Turkish lira ($30m.) the bank said to-day.

The doubling of the capital, the second to take place in two years, is to be paid for fully by the end of this year.

The bank's control was acquired by the KOC Group, the biggest privately-owned one in Turkey, last year. KOC controls 55 per cent. of the shares and Sabanci, the second biggest private group in Turkey, 20 per cent.

Under the new management the bank has started to expand its deposits last year growing by over 22 per cent to about the equivalent of $360m.

The Garanti executive said that the capital increase was decided upon in order to accelerate growth. Garanti's capital would be equivalent to those of Yapi Kredi and Akbank, the two biggest private banks in Turkey.

* * *

THE ARAB Turkish Bank, established last April as a joint stock company, has started operations in Istanbul where it is headquartered.

The Libyan Arab Foreign Bank holds 40 per cent. of the $15m. issued capital, which has been fully paid up. The Kuwait Investment Company owns 20 per cent. and two State-owned Turkish banks, Turkiye is Bankasi and Andaolu Bankasi, 20 per cent. each.

WALL STREET + OVERSEAS MARKETS + FOREIGN EXCHANGES

Dow 3.4 weaker at 34-month low

BY OUR WALL STREET CORRESPONDENT

NEW YORK, Feb. 21.

FOLLOWING THE holiday-lengthened week-end, Wall Street suffered a fresh setback *in active trading to-day as investors became increasingly* apprehensive about weakness of *the dollar and prospects of large-scale power cutbacks by Utilities due to the coal strike.*

The *Dow Jones Industrial* Average, after falling further to 745.24, finished at a new closing 34-month low of 749.31, down 3.38 on the day. The NYSE All Common Index ended 21 cents lower at $48.69, while losses outnumbered gains by 940 to 487. Turnover expanded to 21.89m. *shares from last Friday's level* of 18.50m.

Analysts noted the dollar's drop *yesterday in Europe to record* levels against the Swiss franc and the German mark, reflecting *mounting concern over U.S. economic policies and the economic* effects of the coal strike.

The *stock market also had to* contend with a Government statement that the economy grew by only 4 per cent. in real terms during the fourth quarter of 1977 instead of the originally reported 4.2 per cent. rate of growth.

Over half of the ten most actively traded stocks were Utilities, reflecting concern about the impact of the coal strike on these companies. **Allegheny Power System** *shed* ½ to $19 and **Consumer Power** ½ to $22½.

Actively traded **American Motors** rose ⅛ to $4⅞ on a published report that the company is planning a combination with a foreign car manufacturer.

THE AMERICAN SE Market Value Index closed 0.09 easier at 122.86 after moderate activity. Volume 2.14m. *shares, against 2.17m. on* Friday.

TUESDAY'S ACTIVE STOCKS

	Stocks traded	Closing price	Change on day
Amer. Tel. and Tel.	435,400	60½	−½
American Motors ...	373,200	4⅞	+⅛
Allegheny Power ...	313,300	19	−½
Consumers Power .	215,700	22½	−½
Commonwealth Edison	211,700	27⅞	−⅛
Savin Business Mch.	209,600	20⅛	+2½
Allegheny Ludlum ...	187,100	21⅛	+⅛
Tampa Electric	164,700	16¼	−⅛
Gulf States Util. ...	173,000	13½	−⅛
Florida Power	150,300	30⅛	−⅛

OTHER MARKETS

Canada easier

Stocks on Canadian Markets displayed an easier bias yesterday following a reasonable business. The Toronto Composite Index shed *0.4 to 1,007.6, while Golds,* after recent strength, relinquished 16.8 to 1,387.9. Metals and *Minerals declined 5.2 to 790.9 and* Banks 0.34 to 240.83, but Utilities rose 0.93 to 161.47.

Noreen Energy lost ¼ to $15½ on reporting reduced annual earnings. **Trans-Canada Resources,** after stating that it has reached agreement with a major oil firm on a West Pembina farm-out pact, fell 21 cents to $2.31.

PARIS—Market strengthened on the first day of the new Account, *which lasts until after the elections.* Dealers said that disagreement between the *Socialist and* Communist Parties continued to aid sentiment.

Carrefour advanced 20 to Frs.1,320, **CIT Alcatel** 23 to Frs.840, **Paribas** 4.8 to Frs.155.8, and *Poclain 12.5 to Frs.120.0.*

Foreign stocks also made a good showing, with **ITT, General** *Motors, Unilever, Norsk Hydro* and **Deutsch Bank** outstandingly firm. Golds and Coppers were *steady.*

BRUSSELS — The downward trend persisted in slack conditions.

Cockerill receded 20 to *B.Frs.370 and Vieille Montagne 12* to B.Frs.1,338, but **UCB** recovered 26 to B.Frs.948 and **Petrofina** picked up 15 to B.Frs.3,970.

AMSTERDAM—Shares remained *in easier vein in thin trading.*

Dutch Internationals, however, were steady, with **Royal Dutch** Fl.0.40 harder.

Most Shippings and Publishers were weaker, with **KNSM** down over Fls.2. Resisting the down-*trend were OCE Grinten,* up Fls.1.30, and **Naarden,** Fls.2.00 higher.

GERMANY—Stocks started firmly but finished on a mixed *note, operators having held back* owing to the continuing uncertainty on Foreign Exchange *markets.*

Major Chemicals were mostly higher, however, **BASF** gaining *DM1.40, while* **Volkswagen** advanced DM1.30 in Motors. **Commerzbank** added DM0.80 in Banks, but **Bayern Hypo** came back DM3.50 and **Bayern Verein** were DM1.20 down. *Engineerings were* lower, with **Gutehoffnungshuette** losing DM5.40.

Public Authority Bonds were up to 30 pfennigs higher. The Regulating Authorities sold DM7.4m. *nominal of paper, against DM5.5m.* sales on Monday.

SWITZERLAND — Prices retreated afresh initially, but later staged a technical rally to finish mixed after active dealings, helped by some Foreign demand.

Credit Suisse rose 35 to *Sw.Frs.2,510 among otherwise* little-changed leading Banks on rumours of a forthcoming capital *increase.*

MILAN — Losses predominated at the close after fairly active trading.

Against the trend, **Montedison, Anic and Immobiliare** all finished above the previous day's levels, *although off opening highs, while* **Italsider** and **Finsider** were notably higher with respective rises of L12.75 and L5.75.

HONG KONG—Slightly easier *in the absence of buying interest.* Small London selling depressed some leaders, but dealers expect little market movement or activity ahead of the Hang Seng Bank 1977 results, due on Friday, *and its parent* Hongkong and Shanghai Banking figures, expected next Tuesday.

Hong Kong Bank shed 10 cents to $HK17.00, as did **Jardine Matheson** to $HK12.40. **HK Land** *and* **Swire Pacific** *lost 5 cents* each to $HK6.60 and $HK5.55 respectively.

TOKYO—*Market mainly lost* ground, with export-orientated issues closing prominently easier. *The Nikkei-Dow Jones Average* declined 24.48 to 5,061.82 and volume came to 260m. shares *(210m.).*

Among Electricals, Vehicles and Cameras, **Sony** fell Y40 to Y1,780, **Matsushita Communication** the same amount to Y1,060, **Toyota Motor** Y15 to Y895, and **Canon** Y7 to Y440.

Some shares were adversely *affected by the Eidai business* failure, **Fujisash** losing Y6 to Y63, **Sanko Steamship** Y12 to Y160, and **Japan Line** Y4 to Y65.

JOHANNESBURG — After a *firmer opening, Golds reacted to* close easier on balance in line with lower Bullion indications. Trading was light, with U.S. investors out of the market for *the day on account of their Bank* holiday.

De Beers, after rising further to F5.75, retreated to R5.63, down 7 cents on the day on local and *Overseas selling.*

Industrials were easier-inclined *in dull trading.*

AUSTRALIA — Industrials continued in easier vein, although *Minings made a somewhat* steadier showing.

Most activity centred in Gold stocks, where **Central Norseman** improved afresh to $A9.70, before *slipping to $A9.30 for a net loss* of 10 cents. **Consolidated Goldfields** added 5 cents at $A2.45

Uranium issue **Peko-Wallsend** put on 10 cents to $A5.56 on further assessment of the results, but **Pancontinental** retreated 80 cents to $A9.90 and **Kathleen** 5 *cents to $A1.30.* **Australian Oil** and Gas rose 5 cents to 35 cents.

Dollar firmer

The *dollar* gained ground in the foreign exchange market yesterday, partly because of *intervention by central banks.* Heavy intervention by the Bank of Japan before European markets opened helped to dissuade the market from putting any further upward pressure on the yen, which closed at Y238.47½ against the dollar, compared with Y238.90 previously.

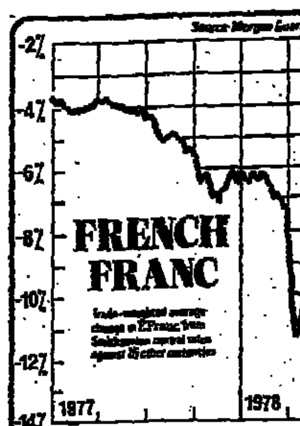
Support for the dollar by European banks was on a *much smaller* scale than in Japan, but also contributed to the U.S. unit's im-*provement. The German Bundes-*bank bought at least $50m., and the dollar improved to DM2.0435 *against the D-mark, from* DM2.0265. Intervention by the Swiss authorities was also *probable,* and the dollar rose to Sw.Frs.1.8380 from Sw.Frs.1.8185.

Morgan Guaranty's calculation *of the dollar's trade-weighted* depreciation since December, 1971 was 5.18 per cent. New York banks were closed on Monday, however, and the only comparison *is with a figure of 4.83 per cent.* on Friday. The dollar's index, as calculated by the Bank of England, *rose to 90.6 from 90.1 on Monday.*

Sterling's index, on Bank of England figures, *fell to 65.7 from* 65.9, after standing at 65.7 at noon and 65.8 in early trading.

The pound touched a best level of $1.9520-1.9530 yesterday, but fell to $1.9410-1.9420. *The Bank* of England may have given some support to sterling, which finished at $1.9445-1.9455, a fall of 95 points on the day.

Gold fell $1½ to $180¾-181¼ in moderate trading, influenced by the improvement of the dollar.



CURRENCY RATES

	Special Drawing Rights February 21	European Unit of Account February 21
Sterling......	0.650041	0.640823
U.S. dollar.....	1.22480	1.24498
Canadian.	1.36896	1.39650
Austria sch....	17.9770	18.3476
Belgian franc.	39.1691	39.8143
Danish krone.	6.50859	6.99858
Deutschemark	2.50116	2.54599
Dutch guilder	2.70130	2.74615
French franc..	5.90078	6.00068
Italian lira.....	1045.34	1063.28
Japanese yen.	291.257	297.011
Norway krone	6.50859	6.64403
Spain peseta...	98.4727	100.111
Swedish krone	5.65254	5.75352
Swiss franc...	2.24445	2.28601

EXCHANGE CROSS-RATES

Feb. 21	Frankfurt	New York	Paris	Brussels	London	Amst'd'm	Zurich
Frankfurt ..	—	2.0415-30	42.40-50	6.385-395	3.969-977	92.76-86	111.40-60
New York ..	48.05-05	—	20.82-85	3.1346-95	1.9445-455	45.60-64	54.57-62
Paris........	235.48-96	4.8117-6237	—	15.064-088	9.3505-3705	215.38-29	262.24-74
Brussels.....	15.62-67	31.96-32.00	6.63-65	—	62.07-24	14.48-53	17.37-43
London......	3.97½-98½	1.9446-9456	9.36½-37½	62.10.20	—	4.28-29	3.57½-58½
Amst'dam..	107.7-0-835	2.2042-67	45.7-50	6.8906-55	4.2815-2865	—	120.075-125
Zurich......	89.675-5161	1.8325-3345	38.074-139	5.7328-7427	3.5655-5674	83.182-329	—

U.S. $ in Toronto U.S. $ = 111.73-77 Canadian cents.
Canadian $ in New York = 89.49-51 cents. U.S. $ in Milan 855.40-70
Sterling in Milan 1658.75-1659.75.

EURO-CURRENCY INTEREST RATES*

Feb. 21	Sterling	Canadian Dollar	U.S. Dollar	Dutch Guilders	Swiss franc	W. German mark
†Short term ...	5½-6⅛	6¾-7¼	6¾-7	5½-5¾	⅛-par	3¼-3⅜
7 days notice	6½-6⅞	6¾-7¼	6¾-7	5½-5¾	⅛-par	3¼-3⅜
Month........	6⅝-7⅛	6⅞-7¼	6⅞-7⅛	5½-5¾	⅛-par	3-3⅛
Three months.	7⅝-7⅞	7-7⅜	7¼-7½	5⅜-5⅝	[illegible]	3-3⅛
Six months....	7⅞-8⅛	7⅜-7¾	7⅝-7⅞	5¼-5½	[illegible]	3⅛-3⅜
One year.......	8⅛-8½	7⅜-7¾	7⅞-8⅛	5½-5¾	1⅛-1⅝	3⅛-3¼

Euro-French deposit rates: two-day 10¼-10¾ per cent.; seven-day 11-11⅛ per cent.; one-month 13-13¼ per cent.; three-month 13[illegible] per cent.; six-month 12¾-13[illegible] per cent.; one year 12¼-12¾ per cent.

Long-term Eurodollar deposits: two years 7[illegible]-8[illegible] per cent.; three years 8[illegible]-8[illegible] per cent.; four years 8[illegible]-8[illegible] per cent.; five years 8[illegible]-8[illegible] per cent.

The following nominal rates were quoted for London dollar certificates of deposit: one-month 6.93-7.03 per cent.; three-month 7.12-7.22 per cent.; six-month 7.43-7.53 per cent.; one-year 7.73-7.83 per cent.

* Rates are nominal calling rates.

† Short-term rates are call for sterling, U.S. dollars and Canadian dollars, two days' notice for guilders and Swiss francs.

GOLD MARKET

	Feb. 21	Feb. 20
Gold Bullion (a fine ounce)		
Close	$180¾-181¼	$182-182½
Opening.......	$181¼-182	$180½-181½
Morning fix'g	$181.40 (£93.217)	$181.60 (£92.938)
Afternoon fix'g	$181.45 (£93.324)	$182.25 (£93.189)
Gold Coin... domestically		
Krugerrand..	$187½-189½ (£96½-97½)	$189½-191½ (£97-98)
New Sov'gns.	$57¼-59¼ (£29½-30½)	$57¼-59¼ (£29½-30½)
Old Sov'gns.	$56¾-58¾ (£29¼-30¼)	$57¼-59¼ (£29½-30½)
Gold Coins... (Internat'lly)		
Krugerrand .	$186½-188½ (£96-97)	$187-189 (£95¾-96¾)
N'w Sov'gns	$57¼-59¼ (£29½-30½)	$57¼-59¼ (£29¼-30¼)
Old Sov'gns	$56¾-58¾ (£29¼-30¼)	$57¼-59¼ (£29½-30½)
$20 Eagles....	$285-288	$285-288

FOREIGN EXCHANGES

Feb. 21	Bank Rates %	Market Rates Day's Spread	Close
New York...	6½	1.9410-1.9530	1.9445-1.9455
Montreal...	7½	2.1700-2.1850	2.1735-2.1745
Amsterdam	4½	4.27-4.33	4.28-4.29
Brussels...	5½	62.00-62.40	62.10-62.20
Copenhagen	9	10.88½-10.96	10.94½-10.95½
Frankfurt..	3	3.96-3.99	3.97½-3.98½
Lisbon	15	77.70-78.30	77.85-78.15
Madrid......	8	156.20-157.10	156.95-157.05
Milan........	11½	1,656-1,666	1,659½-1,660½
Oslo	6	10.32½-10.37	10.33½-10.34½
Paris	9½	9.32½-9.38	9.36½-9.37½
Stockholm..	8	8.96-9.01½	8.98-8.99
Tokyo	4¼	460-470	463½-465½
Vienna......	5½	28.50-28.85	28.55-28.65
Zurich.......	1½	3.55-3.58½	3.57½-3.58½

‡Rates given are for convertible francs. Financial franc 62.05-62.25.

OTHER MARKETS

			Notes Rates
Argentina.	1800-1804	Argentina	[illegible]
Australia ..	1.6984-1.7168	Austria ...	[illegible]
Brazil.......	31.50-32.50	Belgium ...	[illegible]
Finland	8.155-8.145	Brazil.......	[illegible]
Greece	68.859-70.537	Canada.....	[illegible]
Hong Kong	8.84½-8.97½	Denmark ...	[illegible]
Iran	136-139	France	[illegible]
Kuwait......	0.538-0.548	Germany...	[illegible]
Luxemb'rg	10.89½-10.96	Greece	[illegible]
Malaysia...	4.56½-4.66½	Italy.........	[illegible]
N. Zealand	1.8802-1.8986	Japan.......	[illegible]
Saudi Arab.	6.70-6.80	Netherl'nds	[illegible]
Singapore..	4.49½-4.51½	Norway.....	[illegible]
S. Africa ...	1.6764-1.7048	Portugal....	[illegible]
U.S.		Spain........	[illegible]
Canada		Switz'land	[illegible]
CS1		U.S.	[illegible]
C.S. cents..	89.45-89.48	Yugoslavia	[illegible]

Rate given for Argentina is a free rate.

FORWARD RATES

	One month	Three months
New York	0.02c.pm-0.08c.dis	0.10 c.pm-par
Montreal ..	par-0.10 c.dis	0.05 pm-0.05 dis
Amst'dam	¾ c. pm-¼ c. dis	2⅝-1⅝ c. pm
Brussels...	5 c. pm-5 c. dis	5 c. pm-5 c. dis
Cop'nhgn.	8¼-10¼ ore dis	24½-26½ ore dis
Frankfurt	1¾-⅝ pf. pm	4⅝-3⅝ pf. pm
Lisbon.....	60-150 c. dis	350-570 c. dis
Madrid....	50-100 c. dis	130-210 c. dis
Milan......	7-13 lire dis	24-32 lire dis
Oslo........	5¾-6¾ ore dis	9½-11½ ore dis
Paris	4¼-5¼ c. dis	14½-15½ c. dis
Stckh'lm	3-5 ore dis	10½-12¼ ore dis
Vienna....	par-10 gro dis	4-18 gro dis
Zurich.....	2⅝-1⅝ c. pm	6⅝-5⅝ c. pm

Six-month forward dollar 0.40-0.30c. pm; 12-month 0.65-0.55c. pm.

Indices

NEW YORK—DOW JONES

	Feb. 21	Feb. 17	Feb. 16	Feb. 15	Feb. 14	Feb. 13	1977-78 High	1977-78 Low	Since Compilat'n High	Since Compilat'n Low
Industrial...	749.31	752.69	753.29	761.69	765.16	774.45	999.75 (3/1/77)	748.31 (21/2/78)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me B'nds*	88.59	89.55	89.54	89.61	89.64	89.77	95.87 (7/9)	88.55 (28/1/78)	—	—
Transport....	205.01	205.84	205.50	205.55	207.98	209.66	246.64 (13/7)	199.60 (21/10)	279.88 (7/2/69)	13.23 (8/7/32)
Utilities......	102.84	105.52	103.65	105.96	104.35	104.97	118.67 (22/2/77)	102.84 (21/2/78)	165.32 (20/4/69)	10.58 (28/4/42)
Trading vol. 000's †	21,890	18,500	21,570	20,170	20,470	16,810	—	—	—	—

* Basis of index changed from August 24.

	Feb. 17	Feb. 10	Feb. 3	Year ago (approx.)
Ind. div. yield %	6.13	5.94	5.98	4.46

STANDARD AND POORS

	Feb. 21	Feb. 17	Feb. 16	Feb. 15	Feb. 14	Feb. 13	1977-78 High	1977-78 Low	Since Compilat'n High	Since Compilat'n Low
‡ Industrials	96.43	96.81	96.84	97.79	98.01	98.91	118.52 (3/1/77)	96.43 (21/2/78)	134.64 (11/1/73)	3.52 (30/6/32)
‡Composite	87.59	87.96	88.06	88.83	89.04	89.86	107.00 (3/1/77)	87.59 (21/2/78)	125.85 (11/1/73)	4.40 (1/6/32)

	Feb. 15	Feb. 8	Feb. 1	Year ago (approx.)
Ind. div. yield %	5.33	5.17	5.22	3.97
Ind. P/E Ratio	8.57	8.77	8.69	10.94
Long Govt. Bond yield	8.26	8.20	8.18	7.65

N.Y.S.E. ALL COMMON

Feb. 21	Feb. 17	Feb. 16	Feb. 15	1977-78 High	1977-78 Low
48.69	48.90	48.94	49.54	57.07 (4/1/77)	48.69 (21/2/78)

Rises and Falls

	Feb. 21	Feb. 17	Feb. 16
Issues traded ..	1,862	1,813	1,848
Rises............	487	656	369
Falls..............	940	676	1,040
Unchanged......	435	481	439
New Highs........	15	20	17
New Lows.........	114	63	105

MONTREAL

	Feb. 21	Feb. 20	Feb. 17	Feb. 16	1977-78 High	1977-78 Low
Industrial	164.52	163.71	165.56	162.50	186.47 (1/7)	156.02 (25/10)
Combined	176.15	172.46	172.42	171.74	187.55 (19/1/77)	165.60 (25/10)

TORONTO						
Composite	1007.6	1008.0	1007.7	1002.6	1067.4 (19/7)	961.0 (25/10)

JOHANNESBURG

Gold	209.5	215.3	210.7	211.6	216.7 (14/2/78)	159.4 (24/5)
Industrials	205.5	204.7	206.1	207.3	214.4 (4/1/78)	169.1 (25/4)

	Feb. 21	Pre-vious	1977-78 High	1977-78 Low
Australia (*)	459.26	461.16	478.45 (3/1/78)	415.65 (16/2/77)
Belgium (ii)	93.46	93.61	99.12 (10/1/77)	90.46 (12/1/78)
Denmark (**)	96.16	96.21	107.92 (8/6)	94.00 (6/2/78)
France (iii)	52.1	51.8	56.4 (7/1/77)	43.6 (10/6)
Germany (‡‡)	809.3	809.9	813.5 (17/11)	712.5 (10/3)
Holland (§§)	80.2	80.5	93.2 (4/5)	78.6 (29/9)
Hong Kong (**)	410.81	412.06	425.17 (11/6)	383.44 (15/1/75)
Italy (*)	62.26	62.30	75.71 (5/1/77)	64.90 (22/12)
Japan (a)	380.01	381.95	390.96 (28/5)	350.49 (24/11)
Singapore (b)	269.91	270.20	271.62 (16/2/78)	242.35 (16/5)

	Feb. 21	Pre-vious	1977-78 High	1977-78 Low
Spain (c)	93.05	—	100.00 (30/12)	94.06 (1/2/78)
Sweden (c)	350.61	356.20	416.68 (22/3)	356.82 (29/11)
Switzerl'd (f)	314.4	314.2	323.7 (14/2/78)	280.5 (5/5)

Indices and base dates (all base values 100 except NYSE All Common — 50 Standards and Poors — 10 and Toronto 300-1,000 the last named based on 1975). Excluding bonds. ‡ 400 Industrials ‡ 400 Inds. 40 Utilities, 40 Finance and 20 Transport. (*) Sydney All Ord. (ii) Belgian SE 31/12/63. (**) Copenhagen SE 1/1/73. (iii) Paris Bourse 1961. (‡‡) Commerzbank Dec., 1953. (§§) Amsterdam, Industrial 1970. (**) Hang Seng Bank 31/7/64. (*) Milan 2/1/73. (a) Tokyo New SE 4/1/68. (b) Straits Times 1966. (c) Close. (c) Madrid SE 30/12/77—high and low for 1978 only. (c) Stockholm Industrial 1/1/58. (f) Swiss Bank Corp. (u) Unavailable.

NOTES: Overseas prices shown below exclude $ premium. Belgian dividends are after withholding tax.
◆ DM50 denom. unless otherwise stated.
♥ Ptas.500 denom. unless otherwise stated.
♣ Kr.100 denom. unless otherwise stated.
† Frs.500 denom. and Bearer shares unless otherwise stated. ¶ Yen 50 denom. unless otherwise stated. ‡ Price at time of suspension. a Florins. b Schillings. c Cents. d Dividend after pending rights and/or scrip issue. e Per share. f Francs. g Gross. div. %. h Assumed dividend after scrip and/or rights issue. k After local taxes. m % tax free. n Francs: including Unilac div. p Nom. q Share split. s Div. and yield exclude special payment. t Indicated div. u Unofficial trading. v Minority holders only. y Merger pending. * Asked. † Bid. § Traded. ‡ Seller. z Assumed. xr Ex rights. xd Ex dividend. xc Ex scrip issue. xa Ex all. Δ Interim since increased.

OVERSEAS SHARE INFORMATION

Inv. $ Prem. at $2.60 to £—82⅞% (82⅞%)
Effective rate (at 1.9450) 36¼% (37¼%)

NEW YORK

Stock	Feb. 21	Feb. 17
Abbott Labs.......	52⅛	51⅝
Addressograph ...	16⅛	15⅞
Aetna Life & Cas.	33⅝	33¼
Air Products......	24⅛	24
Alcan.............	39⅝	38⅝
Alcan Aluminium	22	22½
[illegible]	[illegible]	[illegible]

Stock	Feb. 21	Feb. 17
Corning Glass.....	46⅛	46½
CPC Int'n'tional .	44⅛	44⅜
Crane..............	25⅞	26⅛
Crocker Nat.......	24½	24⅝
Crown Zellerbach	29¼	29⅞
Cummins Engine	32⅜	32
Cutler-Wright	17	17
Dana	21⅞	22⅜
[illegible]	[illegible]	[illegible]

Stock	Feb. 21	Feb. 17
Johns Manville...	30	30⅝
Johnson Johnson	66⅞	66⅞
Johnson Control.	27⅞	28⅜
Joy Manufactur'g	30⅞	31
K. Mart Corp. ...	23⅞	23⅞
Kaiser Alumini'm	28⅛	28
Kaiser Industries	4⅞	4⅞
Kaiser Steel	21¼	22
Kay................	8	7⅞
[illegible]	[illegible]	[illegible]

Stock	Feb. 21	Feb. 17
Revlon	40⅞	41
Reynolds Metals.	25⅞	26
Reynolds R.J. ...	54⅞	54⅝
Rich'son Merrell.	20⅛	20⅛
Rockwell Inter ...	30⅛	30⅛
Rohm & Haas ...	29⅞	29¼
Royal Dutch	56⅝	55⅞
RTE...............	13⅞	13⅞
[illegible]	[illegible]	[illegible]

Stock	Feb. 21	Feb. 17
Woolworth.......	17¾	17⅞
Wyly..............	0⅞	0⅞
Xerox	44⅞	44⅞
Zapata..........	15⅞	16
Zenith Radio.....	12¼	13
U.S. Treas 4% 1980	‡94	‡94
U.S. Treas 4¾% 78	‡81¾	‡81¾
U.S. 90 Day bills.	6.46%	6.42%

CANADA

Stock	Feb. 21	Feb. 17
[illegible]	[illegible]	[illegible]

GERMANY ◆

Feb. 21	Prices Dm.	+ or −	Div. %	Yld. %
AEG...............	89.7	−0.9	—	—
Allianz Versich ...	492	+2	18	1.8
BMW...............	230.5	−0.5	20	4.3
BASF..............	140.5	+1.4	17	6.1
Bayer.............	140	......	16	5.7
Bayer. Hypo......	250.5	−3.5	20	4.4
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMSTERDAM

Feb. 21	Price Fls.	+ or −	Div. %	Yld. %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COPENHAGEN ♣

Feb. 21	Price Kroner	+ or −	Div. %	Yld. %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

VIENNA

Feb. 21	Price %	+ or −	Div. %	Yld. %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOKYO ¶

Feb. 21	Prices Yen	+ or −	Div. %	Yld. %
Asahi Glass........	318	−1	14	2.2
Canon..............	440	−7	12	1.4
Casio	592	−8	25	2.1
Chinon	351	+1	20	2.8
Dai Nippon Print	512	−2	16	1.6
Fuji Photo.........	52	−5	15	1.4
Hitachi.............	205	−3	12	2.9
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Source Nikko Securities, Tokyo

BRUSSELS/LUXEMBOURG

Feb. 21	Price Frs.	+ or −	Div. Frs. Net	Yld. %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWITZERLAND ●

Feb. 21	Price Frs.	+ or −	Div. %	Yld. %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MILAN

Feb. 21	Price Lire	+ or −	Div. Lire	Yld. %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AUSTRALIA

Feb. 21	Aust. $	+ or −
ACMIL (25 cent)	‡0.75	......
Acrow Australia..........	†0.85	......
Allied Mnf/Trdg. Indus $1..	†2.26	......
Ampol Exploration	†1.25	−0.01
Ampol Petroleum..........	†0.72	......
Assoc. Minerals............	†0.70	......
[illegible]	[illegible]	[illegible]

PARIS

Feb. 21	Price Frs.	+ or −	Div. Frs.	Yld. %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STOCKHOLM

Feb. 21	Price Kronor	+ or −	Div. Kr.	Yld. %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRAZIL

Feb. 21	Price Cruz	+ or −	Div. Cruz	Yld. %
Acesita	1.24	−0.02	0.12	[illegible]
Banco Brasil BP...	2.65	+0.10	0.18	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Vol. Cr.329.5m. Shares 55.5m.
Source: Rio de Janeiro SE.

OSLO

Feb. 21	Price Kroner	+ or −	Div. %	Yld. %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

JOHANNESBURG

MINES

February 21 — Rand

	Rand	+ or −
[illegible]	[illegible]	[illegible]

INDUSTRIALS

	Rand	+ or −
[illegible]	[illegible]	[illegible]

Securities Rand $U.S.0.[illegible]
(Discount of 30.8%)

SPAIN ♥

Feb. 21	Per cent.	+ or −
[illegible]	[illegible]	[illegible]

FARMING AND RAW MATERIALS

...nfair' to ...me trusts ...dear land

...ristine Moir

...INSTITUTIONS have ...fairly blamed for rising ...lues," the Committee of ... Unit Trusts claims in ...issions to the Northfield ...into agricultural land ...ip.

...ases by institutions ...ot exceeded 25 per cent., ...land changing hands in ...r.

... important, they pur... ...ly tenanted farms, with ...ceptions, and the price ...ted land has not risen as ... the price of vacant... ...n land, which has been ...y properous farmers."

...roperty unit trusts also ...at "it is increasingly ...at the institutions will ...he main providers of let ...s heavy taxation and ... protection regulations ... to militate against the ...andlord.

...icular, the trusts believe ... are "almost alone in ... a position to provide ...rn fixed equipment so ... to increase the indus... ...oductivity and profit...

...ommittee of Property ...sts represents 18 trusts ...l by 1,500 pension funds ...ities. Their combined ...ceed £550m., of which ...m. is invested in agri... ...and.

...usts deny accusations ... are draining profits out ...ustry.

...oint to a steady invest... ...fixed capital improve...

Bacon report 'underplays role of import subsidies'

BY CHRISTOPHER PARKES

THE BRITISH meat industry reacted frostily to yesterday's charges from the Price Commission that U.K. bacon curers are "poorly organised and inefficient." The Bacon and Meat Manufacturers' Association felt that the Commission's report* did not give the problems caused by monetary compensatory amount subsidies on Danish bacon the prominence they deserved.

Mr. John Locke, director of the BMMA, commented that it would be naive to assume that British curers would have either the confidence or the ability to revitalise their industry while they were saddled with these subsidised imports.

And he felt the Commission had done less than credit to the improvements in the British industry over the past 10 years.

Urging the home industry to become more ambitious and competitive, the Commission calls for improved overall quality "to equal or surpass the Danish example," presses for improvements in handling and refrigerated transport and demands "more imaginative market development."

"Structural reorganisation will require a joint effort," it says, perhaps with some temporary backing from national organisations of the farming and food industries. "There are some signs that efforts of this kind have already started, but their scale is still small."

Restrictions

The Commission appears to have satisfied itself fairly quickly that no-one is making excessive profits out of the bacon market, and suggests only monitoring price margins on the price leader, Danish.

However, it insists that it is in the interests of the consumer that a competitive market should be maintained.

"Decline in the share of the market held by U.K. producers must prejudice the development of effective competition and thus expose the U.K. shopper to risks of lower value for money, the report says.

"This decline will almost certainly continue unless vigorous action is taken to arrest it. In this context it would be inappropriate to recommend restriction of margins in bacon distribution," it concludes.

For the rest, the report is mainly a review of the techniques and recent history of the industry and goes to considerable pains to praise lavishly the enterprise and vigour of Denmark.

The Commission comments that in all sectors of the trade except multiple retailers, margins have shown comparatively little movement over the past three years. The multiples' margins have gone up from 15.9 to 17.1 per cent.

*Report, price 70p, is available from HMSO

No platinum price rise planned

JOHANNESBURG, Feb. 21.

IMPALA PLATINUM is not at present considering increasing its producer price of $205 an ounce, Mr. Ian Greig, chairman, said yesterday.

Mr. Greig said Impala as a producer takes the view that the producer price must be moved as infrequently as possible

He feels there is scope for further price increases later in the year but not as things stand at present.

Mr. Greig added: "I am concerned about the sharpness of the rise in the market price because we do not see any corresponding underlying growth in real demand.

"Certainly we would be very nervous of pushing up our producer price until the whole market has consolidated, and the market has by no manner of means consolidated."

At present the market has four different factors in mind. They are pressure on the dollar; broker estimates of a $250 market price; the speculative flight into gold and other metals; and a curtailment of supply which the market tends to over-emphasise, he noted.

The curtailment of USSR supplies is very noticeable but it is difficult to determine whether this is a sort of a long-term hiccup, he pointed out.

Our Commodities Staff writes: London free market platinum prices eased yesterday to $233.5 a troy ounce (£120.10) compared with the four-year peak of $235.5 (£120.4) reached on Tuesday. The decline reflected profit-taking attributed to the decline in the price of gold, and the rise in the value of the dollar. But market sources claimed the undertone of the market remained firm.

HORTICULTURE CONFERENCE

Fruit import taxes under attack

BY OUR COMMODITIES STAFF

HIGH COMMON MARKET import charges and other obstacles to trade in fruit and vegetables came under fire in Harrogate yesterday from Mr. Henry Jamison, president of the National Federation of Fruit and Potato Trades. He told a National Farmers' Union conference on the future of British horticulture that he approved of the EEC principle that Community produce should always be given preference in European markets over imports from outside.

"But not to the point where common sense is thrown out of the window," he stressed. "When good quality produce is not adequately available from Community sources, there should be completely liberal imports from third countries."

He singled out all-year-round charges on imported peaches as an example of what he called "ridiculously high tariff rates" on produce which is not in season in the Community.

When Italian and French peaches are in season, the 22 per cent. import tariff is justified to protect European growers, he said. But not at other times of the year when EEC peaches are not being marketed.

"Such tariffs protect produce which does not exist. They bring no benefit to the grower, they make the Community look silly as an international trading body, and they push up prices to the consumer," Mr Jamison said.

The Common Agricultural Policy also failed to operate effectively in the internal market, he added. While it established rules demanding that only high-quality produce was marketed, it failed to follow through with any serious effort to sell the crops. "It would be beneficial to all of us," he suggested, "if the Commission were to switch some expenditure from intervention to sales promotion."

Plaything

Mr. Jamison was fiercely critical of the EEC's system of reference or minimum import prices governing the fruit and vegetable trade with non-Community suppliers: There had been attempts to manipulate the system to impede tomato imports, and even now there was talk of changes which might result in further charges on purchases from abroad of peaches and grapes.

"The reference price system has become the plaything of politicians," he charged, "and is often being used to protect the inefficient or uneconomic grower—to the destriment of the consumer and in the long run to the detriment of us all.

"The demand for unreasonable grower protection, brought on by the probable extension of the EEC to include Greece, Portugal and Spain, is something which will serve only to bring the CAP into greater disrepute," he claimed.

Mr. George Sheard, deputy director of the Glasshouse Crops Research Institute, warned horticulturalists that producers using coal, oil or natural gas to heat their glasshouses had no long-term future.

They had to find alternatives to fossil fuels, he said. This would inevitably mean that part of the industry would have to be moved. If it was unwilling or unable to move, then it would probably die, he said.

He suggested that waste heat from industry could be used. And he also assessed the potential value of solar, wind, tidal, wave and geothermal energy to horticulture. More could also be done to cut down present levels of heat loss from glasshouses.

Mr. Sheard stressed that there was no need for panic action. "I hope the glasshouse industry will look ahead and move to secure its future. Now is the time to take action, not in 15 years when the problem is upon you," he said.

● The British Growers' Look Ahead Conference continues in Harrogate to-day and to-morrow.

Soviet sugar needs assessed

BY OUR COMMODITIES STAFF

RUSSIA MAY need to buy 1m. tonnes of sugar on the world market this year, according to M. Maurice Varsano, chairman of the French sugar company, Sucrées at Denrées.

In an interview with World Commodity Report in Paris, M. Varsano said Cuba was unlikely to ship more than the contracted amount of 2.6m. tonnes to the Soviet Union. He said the forecast 7.5m. tonnes Cuban crop was likely to be reduced by adverse weather and the Cubans' desire to fulfil their quota under the International Sugar Agreement would probably preclude extra shipments to Russia.

"It is important for them to do so and to be able, in five years, when a new Agreement will be discussed, to show that they were not too ambitious when they asked for such a large quota in Geneva."

M. Varsano said the Russians were already buying in small amounts.

"The market is, for the time being, a little sleepy, partly because of anticipation of the Russian buying and partly because China is withdrawn from the market during the new year celebrations." M. Varsano said the Chinese had bought 500,000-600,000 tonnes of sugar on the world market since December and were likely to start buying again in the near future.

The Sucrées et Denrées chairman did not think it would be a good idea for the EEC to reduce its sugar beet area in view of the current world surplus.

He said the threat of large stocks for export by the EEC had not materialised this year. Out of 3m. tonnes about 2m. have been sold. The 1m. tonnes remaining, is "not enough to disturb the market," M. Varsano claimed.

In New York, meanwhile, statistician F. O. Licht, in his first estimate of the world sugar balance for 1977-78, put production at 91.292m. tonnes and consumption 85.696m. tonnes world sugar market sources said, reports Reuter.

He estimated initial world sugar stocks at 26.104m. tonnes and final stocks 31.308m. tonnes

London traders said the report was "slightly bearish" but added that the surplus was already reflected in current prices. No significant reaction was discernible in futures values which maintained the higher levels reached during the morning. May sugar closed £1.925 higher on the day at £116.225 a tonne.

Indian sugar export plea

BY OUR OWN CORRESPONDENT CALCUTTA, Feb. 21.

THE INDIAN sugar industry is expecting a record production of 5.6m. tonnes this season (ending next April) has been pleading with the Government to allow some sugar exports as current production is much in excess of the normal domestic consumption at around 4m. tonnes. India has been allowed a quota of 700,000 tonnes this year under the International Sugar Agreement, but the Government has refused to allow any exports because of depressed international prices.

In a memorandum to the central government the industry has pointed out that since export quotas allowed to individual producers nations are usually with reference to their past performance. India's claim to getting a substantial quota in future years would be adversely affected if export performance is allowed to suffer now. It also pleads for a longer sugar export policy since substantial capacity has already been licensed which in four years would take the total capacity to 7m. tonnes. Present installed capacity is 5.4m. tonnes but it will be increasing.

U.S. soyabeans for Russia

WASHINGTON, Feb. 21.

THE U.S. Agriculture Department said that private U.S. exporters had sold 200 000 metric tons of soyabeans to the Soviet Union. Some of the consignments had previously been reported as going to other destinations.

This is the first Soviet purchase of U.S. soyabeans during the current marketing year which ends on August 31.

Soyabeans are not included under the five-year U.S.-USSR grain supply agreement. So far this marketing year, sales of wheat under the agreement total about 3.5m. metric tons and sales of maize total about 6.4m. metric tons. AP-DJ

... zinc ...e cut

... Edwards

...N the U.S. domestic ... zinc of 1.50 cents a ...s announced yesterday ...ork by Asarco, one of ...g U.S. producers. The ..., effective immediately, ...een 29 cents for Prime ... zinc and 29.50 for ...igh Grade.

...aid the reduction was ... due to the availability ...ntial quantities of ...iced imported zinc. ... halted a rally in Lon... ...Exchange zinc prices

...ket moved up in early ...llowing some heavy ... cash metal by one ...articular. But values ...n the afternoon after ... announcement and ... closed £3.5 up at ... tonne after touching ...levels for four and a... ...n Monday.

Glasshouse advances can help farmers

BY A CORRESPONDENT

TECHNOLOGICAL advances in commercial horticulture in the U.K. during the past few decades have been at least as impressive as those in agriculture. Output of the industry has increased correspondingly, the estimated farmgate value of all products in 1977 totalling £704m.

Horticulture has one great advantage over agriculture, in that much of it is carried on in a sheltered environment in which most of the relevant factors can be controlled. Great advances have been made in the pre-germination of seed, precision seed sowing, humidity control, heating, ventilation, and control of pests and diseases. Some of this work will eventually be of benefit to farmers in open field cultivation.

Work at the National Vegetable Research Station, Wellesbourne, Warwickshire, and at some of the experimental husbandry stations includes the intensive production of seedlings in peat blocks in which both plant nutrients and herbicides can be incorporated.

Another development is known as fluid seed drilling, in which seed is incorporated in a gel to ensure adequate moisture, speedier germination, and good placement. The automation of peat-block techniques is particularly impressive, with machines available that can deliver seeded peat blocks at rates up to 40,000 an hour. Automatic planting of these will revolutionise field vegetable production. Problems arise in the handling of blocks as they come from the machines at high rates, but a promising development is the linear production of blocks in what is called the bandolier pattern.

Biological control of some of the most notorious pests is another striking advance, made necessary by the development of resistance in red spider mites and white fly to chemical sprays and fumigants.

Biological techniques have improved greatly, thanks to work at the Glasshouse Crops Research Institute, the ADAS centre at Starcross, Devon, and elsewhere.

Nutrient film technique, the new name for hydroponics, is also being increasingly employed. Some problems remain, however, and present use is mostly confined to the growing of tomatoes and cucumbers.

The likelihood of using waste heat from electricity generating stations is receiving some attention, but as any extensive adoption of this would involve relocation of glasshouse enterprises it is a theoretical prospect at present.

...MODITY MARKET REPORTS AND PRICES

METALS

...eady on the London Metal ...h forward metal starting ...bing to £641, falling back ... advancing, helped by some ... Comex started firm and ... [illegible]

...to close on the Kerb at £642.5 after a subdued day's trading. Turnover 11,525 tonnes.

Amalgamated Metal Trading reported that in the morning cash wirebars traded at £623, three months £639, 40, 41, 42, 42.5, 42. Cathodes, cash £619.5. Kerb: Wirebars, three months £640.5. Afternoon: Wirebars, three months £642, 42.5, 43, 43.5. Kerb: Wirebars, three months £642, 42.5, 43, 43.5.

...	9-.5	+5.5	628-9	+4.5
...	3-.5	+5	641.5	+4
...	9.5	+5.5	—	.....
...	9-.5	+4.75	619-20	+6.25
...	2.5	+5	632-.5	+5.75
...	9.5	+4.5	—	.....

TIN—Little changed on balance. The East was lower overnight but forward metal in London advanced from £6,120 to £6,180 helped by the movements of sterling and buying against European physical business. In the afternoon there was lending of March dates and the backwardation narrowed. Forward metal eased to £6,130 and closed on the Kerb at £6,140. Turnover 2,840 tonnes.

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade	£	£	£	£
Cash	6205-15	-2.5	6160-75	-25
3 months	6160-75	+22.5	6135-45	+5
Settlem't	6215	.....	.....	.....
Standard				
Cash	6205-10	-5	6160-70	-17.5
3 months	6160-5	+25	6135-40	+10
Settlem't	6210	-5	.....	.....
Straits E.	...	.....	.....	.....
New York	.....	.....	.....	.....

[illegible]

Imited 01-351 3466. ...Road, London SW10 0HS. Three month Silver 263.8-266.0

LEAD [illegible]

ZINC [illegible]

SILVER

[illegible]

COCOA

[illegible]

COFFEE

[illegible]

RUBBER

[illegible]

JUTE

[illegible]

GRAINS

[illegible]

WOOL FUTURES

LONDON—Turnover increased slightly but prices hardly changed, reports Bache. (Pence per kilo)

[illegible]

SOYABEAN MEAL

[illegible]

SUGAR

[illegible]

MEAT/VEGETABLES

[illegible]

PRICE CHANGES

Prices per tonne unless otherwise stated.

[illegible]

INDICES

FINANCIAL TIMES

REUTER'S

DOW JONES

MOODY'S

[illegible]

...PANY NOTICES

U.S. Markets

Soyabeans and metals move higher

NEW YORK, Feb. 21.

PRECIOUS METALS finished strong on continued weakness of the U.S. dollar with Commission-house buying. Copper ended higher on speculative short-covering following the introduction of additional stockpiling legislation in Congress. Coffee closed higher on trade buying. Soyabeans were firm on rumours of Soviet purchases from Brazil, Bache reports.

Cocoa—March 132.25 (130.25), May 125.55 (124.00), July 120.50, Sept. 119.00, Dec. 116.00, March 114.55, May 113.30, July 111.75 setts. Sales, 514 lots.

Coffee—"C" Contract: March 191.00 (188.25), May 169.75 (166.25), July 158.00-159.40, Sept. 152.00-152.50, Dec. 138.85 bid, March 132.75, May 127.00-128.51, July 126.50. Sales 535.

Copper—Feb. 57.20 (56.80), March 57.40 (56.80), March 57.40 (57.00), April 57.90, May 58.50, July 59.50, Sept. 60.50, Dec. 62.00, Jan. 62.50, March 63.50, May 64.50, July 65.50, Sept. 66.50, Dec. 68.00 setts. Sales, 5,700 lots.

Cotton—No. 2: March 55.15 (54.65), May 56.60-56.65 (56.10), July 57.80-57.85, Oct. 58.75, Dec. 59.06-59.25, March 60.20-60.25, May 60.50-61.00, July 60.70-61.50. Sales, 505,000 bales.

*Gold—Feb. 181.50 (179.70), March 181.90 (180.00), April 183.00, June 185.70, Aug. 188.40, Oct. 191.10, Dec. 193.50, Feb. 196.60, April 199.30, June 202.50, Aug. 205.30, Oct. 208.50, Dec. 211.50 setts. Sales, 9,000 lots.

†Lard—Chicago loose 20.75 (same). New York prime steam 22.25 traded (22.25 nom.).

‡Maize—March 226½-226¾ (226¼), May 230½-230¾ (230¼), July 230-229½, Sept. 227½, Dec. 226½-226¾, March 234½.

§Platinum—April 236.00-236.80 (235.70), July 239.50-240.60 (237.80), Oct. 243.50-244.70, Jan. 247.90-248.10, April 251.90-252.10, July 256.10-256.30. Sales, 1,840 lots.

‖Silver—Feb. 505.60 (500.50), March 504.00 (501.50), April 507.70, May 511.90, July 518.80, Sept. 526.30, Dec. 538.00, Jan. 541.60, March 549.60, May 557.40, July 565.30, Sept. 573.20, Dec. 585.10 setts. Sales, 1,000 lots. Handy and Harman spot bullion 503.50 (500.60).

[illegible]

Soyabeans—March 582-580½ (570½), May 589-588 (579½), July 593-594½, Aug. 594, Sept. 587, Nov. 565½-566, Jan. 582½-593, March 598.

‖Soyabean Meal—March 153.40-153.20 (149.90), May 157.20-156.80 (153.10), July 159.20-159.00, Aug. 160.00-160.50, Sept. 159.60, Oct. 158.20-158.80, Dec. 160.30, Jan. 161.50-162.50, March 164.00-165.00.

Soyabean Oil—March 21.86-21.70 (21.29), May 21.50-21.55 (21.13), July 21.40-21.35, Aug. 21.35-21.25, Sept. 21.00, Oct. 20.50, Dec. 20.45-20.50, Jan. 20.45, March 20.45-20.30.

[illegible]

GRIMSBY FISH—Supply fair and demand fair. [illegible]

STOCK EXCHANGE REPORT

Equities again slightly easier in another small trade

Gilts react after early gains—Rise in Golds halted

Account Dealing Dates
Option

*First Dealings	Declarations	Last Dealings	Account Day
Jan. 30	Feb. 9	Feb. 10	Feb. 21
Feb. 13	Feb. 23	Feb. 24	Mar. 7
Feb. 27	Mar. 9	Mar. 10	Mar. 21

* "New time" dealings may take place from 9.30 a.m. two business days earlier.

Buyers again lacked inspiration in stock markets yesterday and the general lack of interest was seen in official markings of under 5,000 for the third successive trading day: they amounted to 4,762 as compared with 4,204 on Monday and 6,087 on Tuesday of last week. Buyers were about for British Funds during official trade, but a rise of 0.24 further to 74.97 in the Government Securities index did not fairly reflect the market which turned easier in the inter-office trade and left quotations with net losses to ¼.

The ratio of falls to rises in FT-quoted industrials widened from 5:4 to 9:5 and the FT Industrial Ordinary share index, 0.1 harder at 10 a.m., trended lower for the rest of the day to end a net 3.4 down at 454.6 which was half a point up on the 3 p.m. calculation. Losses in the constituent shares rarely exceeded a couple of pence with ICI closing 3 off at 341p in front of tomorrow's fourth-quarter figures.

Elsewhere, scattered features usually hinged on company announcements and on the current speculative favourites. John Menzies jumped 18 to 306p on the company's profit forecast and capital proposals, but Rockware dropped 16 to 108p on reports of the group's rising import costs. Wigfall also featured with a drop to 210p before rallying to close only 4 off at 224p awaiting news, which came after hours, of Comet Radiovision's bid intentions. Generally, however, investors were still showing reluctance to take a view in face of current uncertainties and the paucity of straight investment business was reflected in more activity in the Option market.

Only five of the 46 groups and sub-sections of the FT-Actuaries showed quotable gains. Losses averaged a half of 1 per cent., as in the All-share index at 198.86, while Shippings were depressed, off 1.9 per cent at 429.86, on vague adverse rumours.

Late Gilt reversal

Further gains in British Funds were erased and in many cases replaced by losses of ¼ after the official close of trading yesterday. An explanation for this late reversal was difficult to pin-point but both ends of the market experienced selling pressure in the face of which buyers soon lowered their limits. Earlier, quotations of all maturities had made gradual upward progress when a small institutional demand had found little stock on offer. Gains extending to ¼ among high-coupon longs and ⅜ in selected shorts were pared marginally, usually by ⅛, by midday but throughout the afternoon the tone had appeared sound, the Treasury forecast of only a modest improvement in economic performance this year unless there is a Budget stimulus finding no reflection in sentiment. Corporations presented rare improvements ranging to ¼.

A follow-through of the previous day's institutional support, albeit on a smaller scale, which reflected the need to obtain investment currency for the purchase of U.S. securities lifted the premium to 83¼ per cent. Demand faded at the higher rates, however, and later offerings connected with both Australian and Far Eastern arbitrage account finally brought the premium back to 82¾ per cent., for a rise of only ½ on balance. Yesterday's SE conversion factor was 0.7283 (0.7294).

Banks easier

Quiet conditions prevailed in Home Banks and prices drifted lower on lack of buying interest. Ahead of to-morrow's preliminary results, Barclays gave up 5 to 310p. Midland were a similar amount off at 333p. Elsewhere, Wagon Finance hardened a penny more to 90p, with sentiment still underpinned by last Friday's record results and proposed 100 per cent. scrip-issue.

Marked up a shade at the outset, Composite Insurances were unable to attract follow-through support and subsequently closed little changed on balance. Among Brokers, Sedgwick Forbes hardened 3 to 323p; the annual results are due next Tuesday.

Notable movements in Breweries were confined to secondary issues. Revived bid speculation lifted Davenports' 4 to 93p, while Greene King, 218p, and Young Brewery A, 148p, put on 3 apiece. Bellhaven Brewery picked up 2 at 45p as did Burtonwood at 146p. Distillers typified conditions in Distilleries, closing a penny firmer at 167p following a quiet trade.

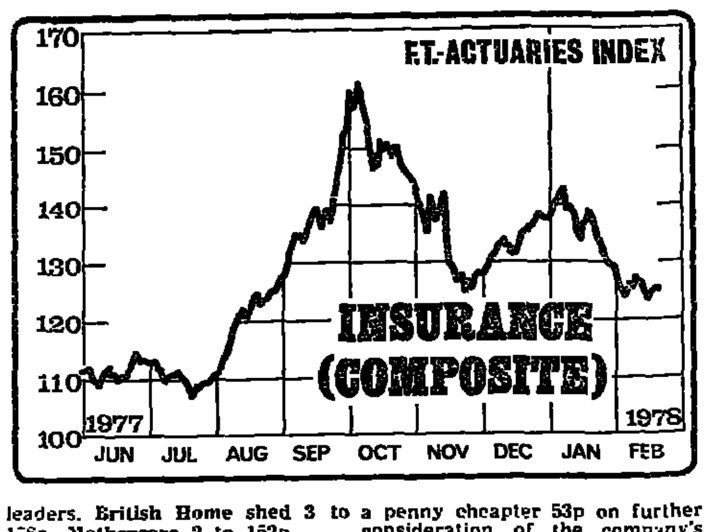
Buildings continued to plot an irregular course in thin trading. Wilson (Connolly) were firm at 126p, up 6, following renewed demand in a thin market, while Bryant Holdings added 2 at 54p as did William Whittingham, to 32p. Further consideration of the Board's reassuring view about second-half prospects helped Orme Developments pick up a shade to 54½p. Marchwiel, however, shed 6 to 234p following comment on the results, and losses of 3 and 4 respectively were seen in Rowlinson Construction, 85p, and Taylor Woodrow, 360p.

Ahead of to-morrow's preliminary figures, ICI drifted lower in moderate trading to finish 3 off at 341p, after 338p. Elsewhere in Chemicals, Hickson and Welch firmed 7 to 523p.

Television concerns were again notable only for renewed firmness in Scottish A which hardened 1½ more to 68½p.

John Menzies good

Stores were highlighted by a jump of 18 to 306p, after 308p, in John Menzies following details of the Board's capital proposals accompanying the dividend and profits forecasts. Elsewhere, demand in a restricted market lifted Wades Departmental A 4 to 40p, after 42p. Still reflecting adverse comment, Grattan Warehouses lost 5 to 115p among Mail Orders where Empire cheapened 3 more to 145p. Freemans eased initially to 240p but rallied to close 4 harder on balance at 248p; the results are due next month. Of the leaders, British Home shed 3 to 178p, Mothercare 2 to 152p.



Awaiting developments on the bid, Henry Wigfall encountered further selling and reacted to 210p before recovering well to close only 4 down on balance at 224p; Comet Radiovision improved 3 to 113p. Elsewhere in the Electrical sector, leading issues to give a little ground included GEC, 4 cheaper at 253p, and Thorn Electrical, 2 lower at 350p. Decca remained on offer and gave up 5 more to 415p, with the 'A' similarly cheaper at 405p. Rotaflex, however, held steady at 51p following the results.

Interest in the Engineering majors remained at a low ebb. GKN eased 2 to 277p after the previous day's late flurry of activity; news that the German Supreme Court had ruled against the Sachs deal came well after market hours. Tubes drifted off to close a similar amount down at 366p. Elsewhere, F. H. Tompkins advanced 4 to 21p following the announcement that Mitchell Somers had acquired a 21 per cent. stake in the company. Camford Engineering responded to the chairman's optimistic annual statement with a rise of 1½ to 64½p, while Peter Brotherhood gained 3 to 118p despite the setback in the half-yearly profits. Johnson and Firth Brown hardened a penny to 61p ahead of to-morrow's interim results. Other bright spots included West Bromwich Spring, 2 dearer at 39p and Victor Products, a like amount up at 92p. On the other hand, Spirax-Sarco, a good market of late, met with selling and gave up 4 to 255p, while G. M. Firth shed 2 to 30p.

Interest in Foods was again largely concentrdated on companies with tea interests, this reflecting publicity on the Price Commission's demand for immediate cuts of about 5p a quarter in the price of tea. Brooke Bond, at 45½p, regained ½ of the previous day's loss of 2½ in an active trade, but J. Lyons eased a penny to 96p for a two-day reaction of 3. Cadbury Schweppes were also a penny cheaper 53p on further consideration of the company's decision to close its Typhoo tea packing factory in Birmingham. Among recent takeover favourites, Fitch Lovell and J. Bibby lost 3 apiece at 66p and 205p respectively. Tate and Lyle, however, closed without alteration at 192p following the full report and accounts.

Hotels and Caterers remained neglected with Ladbroke losing 3 to 177p. Against the trend, Kursaal edged forward 3½ to 90p in reply to the chairman's interim report.

BOC down

Miscellaneous Industrial leaders continued to drift lower in thin trading. The chairman's warning that the group will not maintain the earnings growth of recent years unsettled BOC International which closed 2½ lower at 64½p, after 63½p. Reed International turned reactionary again, losing 3 at 106p, after 105p, on renewed nervousness ahead of next Monday's publication of the troubled Canadian subsidiary's results. Glaxo, 557p, and Beecham, 620p, lost 8 and 5 respectively, while Boots shed 4 to 196p. Elsewhere, Rockware stood out with a fall of 16 to 108p, after 107p, following reports that the increased import cost of glass containers last year amounted to £6m. Campari gave up 3 to 106p, and I. C. Gas shed 8 to 340p; the former's interim results are due next Monday. By way of contrast, Charles Hill of Bristol at 113p, after 115p, recorded a Press-inspired rise of 3 and Mitchell Cotts Transport added 4 at 53p. Securicor, 66p, and the A, 64p, rose 4 and 8 respectively on the better-than-expected results, while the associated Security Services added 6 to 76p and the A 7 to 75p for a similar reason.

Motors and Distributors contributed few movements of any consequence. Lucas Industries eased 3 to 263p, while losses of 4 were seen in Fodens, 59p, and Abbey Panels, 46p. Lex Service, which reported interim figures on March 17 last year, encountered a reasonable two-way business before closing marginally easier on balance at 65p. Manchester Garages finished a penny easier at 25p despite the success of the rights issue result, but the increased interim profits left British Car Auction a like amount higher at 42½p, after 43½p.

Details of the proposed dividend-boosting rights issue took Watmoughs up 5 to 81p in otherwise featureless Paper/Printings.

Scattered offerings and the continued lack of support took Properties lower. Land Securities stood out with a fall of 5 to 208p, while English gave up 1¼ to 36½p and MEPC a penny to 118p. News of the acquisition of Ahern Estates failed to help Great Portland, which were 6 down at 306p, while Stock Conversion, 242p, and Berkeley Hambro, 98p, lost 4 apiece. British Land eased a penny to 33½p following the interim statement, but Acquis Securities contrasted with a rise of that much to 17p on the increased half-yearly dividend and revenue.

Oil leaders steady

British Petroleum edged up a few pence to 758p in small trading, while Shell fluctuated narrowly before ending without alteration at 500p. Elsewhere, Oil Exploration met with a revived selling and reacted 8 to 228p. Siebens (U.K.) were also dull again at 266p, down 2, and Tricentrol gave up a like amount at 144p. Charterhall lost 1½ to 22½p.

Investments Trusts had little to commend them. Western Canada Investment, at 635p, gave up 10 of the previous day's rise of 15 which followed the agreed offer from Scottish Eastern Investment, while losses of 5 were seen in Caledonia Investments, 222p, and Camellia Investments, 205p. Financials contributed a few firm spots. Lamont Holdings edged forward 2½ to 19½p following Press comment, while R. Kitchen Taylor, 74p, and London European, 18p, put on 2 apiece. On the other hand stock jobbers Akroyd and Smithers fell 5 to 225p and Fashion and General 6 to 144p.

Shippings presented a drab appearance on vague rumours that a private company had run into financial difficulties and was seeking Government aid. Furness Withy, in which a substantial shareholding changed hands recently, closed 13 cheaper at 278p and Lofs lost 1½ to a 1977-78 low of 30½p. P. and O. Deferred gave up 3 at 101p after a reasonable two-way business.

Textiles had the occasional small gain. Bond St. Fabrics hardened 1½ to 35½p helped by Press comment, while Sekers International were a penny firmer at 22½p after news that a large share stake had changed hands. British Enkalon, however, eased ¾p to 11½p on the annual loss.

Greatermans "A" remained on offer in South African Industrials and lost another 5 to a 1977-78 low of 105p.

Golds mark time

South African Golds failed to arouse much interest as the bullion price eased $1 to $181.375 per ounce. Shares opened on a quietly mixed note and prices thereafter moved within narrow limits with the Gold Mines index 0.2 easier at 160.0.

U.S. interest in the afternoon was negligible and heavyweight issues were barely changed. Mediums continued to attract selective local buying with Libanon again active and finally 3 cheaper at 553p. Winkelhaak closed 9 firmer at a 1977/78 high of 684p, while President Steyn hardened 5 to a 1977-78 high of 784p.

Among the more speculative marginals, Grootvlei fluctuated between 142p and a 1977/78 high of 146p before closing at the latter for a net gain of 3. Wit. Nigel closed only a penny easier on balance at 62p, after 58p.

De Beers were a feature in South African-registered Financials: the shares were finally 2 up at a 1977/78 high of 319p owing to U.S. buying in the late trade after touching 313p. Anglo American Investment Trust closed a point better at £32½ reflecting its substantial holding in De Beers.

Other South African Financials to improve included "Amgold," which rose ¾ to £16¼, and Sentrust, which put on 2 to 197p. On the other hand, Anglo American Corporation dipped the same amount to 273p in front of to-morrow's interim results.

A good two-way turnover was reported in Platinums which closed a shade easier on balance.

The only notable change in Coppers was the further fall of 4 in Messina to a 1977/8 low of 78p.

The recent strength of the bullion price was reflected by Gold Mines of Kalgoorlie, which advanced 5 to a 1977/8 high of 72p in an otherwise neglected Australians section.

FINANCIAL TIMES STOCK INDICES

	Feb. 21	Feb. 20	Feb. 17	Feb. 16	Feb. 15	Feb. 14	A year ago
Government Secs.	74.97	74.73	74.66	74.71	74.11	74.39	65.09
Fixed Interest	77.81	77.72	77.65	77.56	77.14	77.62	64.84
Industrial Ordinary	454.6	458.0	458.3	455.0	453.2	459.7	397.7
Gold Mines	160.0	160.2	157.1	155.6	157.7	155.2	115.1
Ord. Div. Yield	5.89	5.85	5.84	5.89	5.89	5.82	5.84
Earnings Y'ld % (full)(*)	17.96	17.85	17.79	17.94	17.95	17.71	18.64
P/E Ratio (net) (*1)	7.86	7.92	7.93	7.87	7.87	7.97	7.75
Dealings marked	4,762	4,204	4,589	5,577	6,197	6,087	6,145
Equity turnover £m.	—	46.06	55.09	69.53	80.62	62.92	68.06
Equity bargains total	—	10,197	11,598	14,321	14,617	14,429	16,172

10 a.m. 458.1. 11 a.m. 457.5. Noon 456.4. 1 p.m. 456.0. 2 p.m. 454.5. 3 p.m. 454.1.
Latest Index 01-246 8026.
* Based on 52 per cent. corporation tax. † Nil=7.81.
Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS

	1977/78 High	1977/78 Low	Since Compilation High	Since Compilation Low
Govt. Secs.	79.85 (30/9)	60.45 (4/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	81.27 (9/1/78)	60.49 (4/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	549.2 (14/9)	357.6 (12/1)	549.2 (14/9/77)	49.4 (26/6/40)
Gold Mines	174.5 (18/10)	95.1 (1/3)	442.3 (22/5/75)	43.5 (26/10/71)

S.E. ACTIVITY

	Feb. 21	Feb. 20
—Daily		
Gilt-Edged	187.8	177.0
Industries	158.0	155.9
Speculative	43.4	39.7
Totals	109.4	95.7
5-day Average		
Gilt-Edged	199.5	208.4
Industrials	166.5	175.2
Speculative	41.8	41.0
Totals	115.5	121.3

OPTIONS TRADED

DEALING DATES

First Dealings	Last Dealings	Last Declaration	For Settlement
Feb. 21	Mar. 6	May 25	Jun. 7
Mar. 7	Mar. 20	Jun. 8	Jun. 21
Mar. 21	Apr. 10	Jun. 22	Jul. 5

For rate indications see end of Share Information Service

Money was given for the call of BSG International, Fitch Lovell, Plessey, Vinten, Coral Leisure, Manchester Garages, Burmah Oil, CGSB, Brooke Bond, William Baird, British Mohair, French Kier, Newarthill, Reed International, Staflex International, London and Northern, Cons. Gold Fields, ICI, Inveresk, Dunlop, UDT, Lonrho, Burton, BP, Mills and Allen, Wearwell, Bellhaven Brewery, Midland Bank, Hawker Siddeley, John Laing, S. Leboff Fobel, English Property, Pan Continental, Trust Houses Forte, Ladbroke Warrants, Shell Transport and Town and City Properties. Puts were done in ICI, Barratt, Hepburn and Cons. Gold Fields, while doubles were arranged in Vinten, LOF's, Mills and Allen, BP and Cons. Gold Fields. Short-dated calls were taken out in Furness Withy, Fitch Lovell and ICI. Puts were transacted in Furness Withy and ICI, while a double was arranged in ICI.

NEW HIGHS AND LOWS FOR 1977/78

The following securities quoted in the Share Information Service yesterday attained new Highs and Lows for 1977-78.

NEW HIGHS (30)

FOREIGN BONDS (1)
Japan 4pc '10 Ass.
BANKS (2)
Commerzbank | Deutsche Bank
BUILDINGS (1)
Wilson (Connolly)
CINEMAS (1)
Scottish TV A
STORES (2)
Menzies (J.) | Wades A
ENGINEERING (3)
Birmingham Pallet | Tomkins (F. H.)
Cooper (F.)
FOODS (1)
Squirrel Horn
HOTELS (1)
Kursaal
INDUSTRIALS (3)
Security Services | Russell (A.)
Do. A N-V
MOTORS (1)
Plaxton's
TEXTILES (2)
Bond St. Fabrics | Sekers Intl.
TRUSTS (5)
Govett European | Lamont
Lond. Aust. Inv. | London & European
Kitchen (R.) Taylor
RUBBERS (1)
Plantation Hldgs.
MINES (6)
Grootvlei | De Beers Dfd.
Winkelhaak | Gold Mns. Kalgoorlie
President Steyn | Oakbridge

NEW LOWS (5)

HOTELS (1)
Epicure
SHIPPING (2)
Lond. O'seas Freight. P. & O. Dfd.
SOUTH AFRICANS (1)
Greatermans A
MINES (1)
Messina

Rises and Falls yesterday

	Up	Down	Same
British Funds	62	2	[illegible]
Corpns., Dom. and Foreign Bonds	6	1	[illegible]
Industrials	182	282	[illegible]
Financial and Prop.	52	113	[illegible]
Oils	4	18	[illegible]
Plantation	5	4	[illegible]
Mines	29	44	[illegible]
Recent Issues	4	3	[illegible]
Totals	324	457	[illegible]

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1977-78 high	1977-78 low
ICI	£1	11	341	−3	446	325
Libanon	R1	9	553	−3	556	175
BAT Inds.	25p	8	287	—	308	235
BP	£1	8	758	+2	966	756
Beecham	25p	7	620	−5	693	372
Burmah Oil	£1	7	52	−1	83	41
GEC	25p	7	253	−4	284	163
Ocean Transport	25p	7	124	−2	179	123
RTZ	25p	7	175	—	247	169
Shell Transport	25p	7	500	—	635	454
BOC Intl.	25p	6	64½	−2½	83½	62½
Boots	25p	6	196	−4	244	115
Distillers	50p	6	167	+1	193	120
Grand Met.	50p	6	95	−1	109	62
Reed Intl.	£1	6	106	−3	233	100

RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

FT—ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS — GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section

		Tues., Feb. 21, 1978 Index No.	Day's Change %	Est. Earnings Yield% (Max.) Corp. Tax 52%	Gross Div. Yield% (ACT at 34%)	Est. P/E Ratio (Net) Corp. Tax 52%	Mon. Feb. 20 Index No.	Fri. Feb. 17 Index No.	Thurs. Feb. 16 Index No.	Wed. Feb. 15 Index No.
1	CAPITAL GOODS (170)	198.70	−0.5	17.84	5.87	7.90	199.68	199.46	199.02	198.46
2	Building Materials (27)	175.11	−0.3	17.43	6.05	8.18	175.68	176.21	175.53	175.89
3	Contracting, Construction (26)	315.28	−0.2	18.32	4.03	7.94	315.79	316.53	317.26	316.56
4	Electricals (15)	427.04	−1.3	15.51	4.15	9.24	432.63	430.38	427.42	425.73
5	Engineering Contractors (13)	284.17	−0.2	20.62	6.65	6.64	284.84	284.69	285.21	284.48
6	Mechanical Engineering (72)	157.13	−0.2	18.87	6.60	7.54	157.45	157.56	157.58	157.11
8	Metals and Metal Forming (17)	161.76	−0.1	19.41	8.45	6.81	161.88	161.11	160.98	159.95
	CONSUMER GOODS									
11	(DURABLE) (52)	182.04	−0.5	18.64	5.11	7.78	183.03	183.52	182.77	181.69
12	Lt. Electronics, Radio TV (15)	218.05	−0.5	16.34	3.82	8.84	219.21	219.68	218.00	216.27
13	Household Goods (12)	166.39	−0.1	18.92	7.12	7.21	166.55	166.43	167.75	167.72
14	Motors and Distributors (26)	111.66	−0.7	22.18	6.66	6.65	112.42	112.91	112.76	112.28
	CONSUMER GOODS									
21	(NON-DURABLE) (176)	186.65	−0.5	17.15	6.17	8.20	187.52	188.35	186.76	185.60
22	Breweries (14)	210.66	—	15.45	6.29	9.81	210.61	210.43	208.99	207.47
23	Wines and Spirits (6)	236.86	+0.6	17.46	6.07	8.68	235.51	236.07	235.10	234.13
24	Entertainment, Catering (18)	239.46	−0.6	17.52	7.18	8.35	240.79	241.76	239.10	237.46
25	Food Manufacturing (22)	180.12	−0.2	22.19	5.92	6.41	180.56	182.36	181.85	182.06
26	Food Retailing (16)	184.96	−0.2	14.88	4.94	9.70	185.42	186.11	185.78	185.87
32	Newspapers, Publishing (13)	312.09	−0.9	10.77	4.00	13.80	314.88	314.78	313.25	313.90
33	Packaging and Paper (15)	121.29	−1.4	21.76	9.58	6.61	123.01	122.16	120.10	119.21
34	Stores (38)	172.78	−1.0	11.11	4.57	14.11	174.50	176.12	175.05	173.33
35	Textiles (25)	171.67	−0.3	20.35	7.74	6.22	172.25	172.60	170.27	170.61
36	Tobaccos (3)	223.00	—	24.86	8.40	4.78	223.00	222.61	217.96	214.88
37	Toys and Games (6)	98.30	+0.3	21.00	6.04	6.37	97.99	98.32	98.53	97.33
41	OTHER GROUPS (97)	180.64	−0.8	17.60	6.02	7.73	182.17	182.79	181.92	182.37
42	Chemicals (20)	247.05	−0.9	20.09	6.80	7.01	249.34	250.29	247.69	247.40
43	Pharmaceutical Products (7)	239.41	−0.9	11.49	4.14	11.16	241.53	242.62	241.31	241.22
44	Office Equipment (6)	123.70	−0.5	22.21	5.00	5.97	124.31	123.99	123.52	124.50
45	Shipping (10)	429.86	−1.9	22.91	6.81	5.17	438.00	446.68	446.98	446.06
46	Miscellaneous (54)	188.79	−0.6	16.73	6.49	8.47	189.95	190.41	189.89	191.49
49	INDUSTRIAL GROUP (496)	194.13	−0.6	17.54	5.98	7.97	195.24	195.77	194.65	194.03
51	Oils (4)	435.78	+0.1	15.97	4.49	7.61	435.26	435.54	434.70	435.32
59	500 SHARE INDEX	214.34	−0.5	17.30	5.76	7.92	215.35	215.86	214.75	214.22
61	FINANCIAL GROUP (100)	159.99	−0.5	—	5.53	—	160.84	161.05	159.55	159.36
62	Banks (6)	180.10	−0.9	25.83	5.84	5.89	181.79	182.73	180.26	179.35
63	Discount Houses (10)	196.95	+0.1	—	8.38	—	196.71	197.30	199.71	199.41
64	Hire Purchase (5)	149.84	—	12.25	5.24	12.07	149.83	148.92	146.64	146.55
65	Insurance (Life) (10)	134.15	+0.3	—	6.18	—	133.77	133.19	132.96	134.05
66	Insurance (Composite) (7)	125.76	−0.1	—	6.40	—	125.94	125.60	123.95	123.67
67	Insurance Brokers (10)	310.60	—	13.80	4.41	10.59	310.48	309.49	308.20	307.72
68	Merchant Banks (14)	76.60	−0.2	—	6.24	—	76.73	77.08	77.04	77.62
69	Property (31)	232.18	−1.3	2.94	2.96	64.67	235.32	236.84	234.16	235.94
70	Miscellaneous (7)	103.04	−0.9	25.00	7.62	5.55	104.02	104.27	104.39	104.18
71	Investment Trusts (50)	182.20	—	3.42	5.12	29.21	182.28	182.28	182.73	182.17
81	Mining Finance (4)	88.61	−0.4	17.60	6.61	6.61	88.95	88.37	88.15	86.25
91	Overseas Traders (19)	269.99	−0.2	17.59	7.22	7.33	270.61	271.12	272.03	271.52
99	ALL-SHARE INDEX (673)	198.86	−0.5	—	5.76	—	199.77	[illegible]	[illegible]	[illegible]

FIXED INTEREST PRICE INDICES

	British Government	Tues. Feb. 21	Day's change %	xd adj. To-day	xd adj. 1978 to date
1	Under 5 years	108.20	+0.09	—	1.85
2	5-15 years	120.21	+0.34	—	1.43
3	Over 15 years	126.98	+0.38	0.58	2.22
4	Irredeemables	144.48	+0.38	—	0.88
5	All stocks	117.87	+0.26	0.22	1.86

FIXED INTEREST YIELDS

Br. Govt. Av. Gross Red.

			Tues. Feb. 21	[illegible]	[illegible]
1	Low Coupons	5 years	[illegible]	[illegible]	[illegible]
2		15 years	[illegible]	[illegible]	[illegible]
3		25 years	[illegible]	[illegible]	[illegible]
4	Medium Coupons	5 years	[illegible]	[illegible]	[illegible]
5		15 years	[illegible]	[illegible]	[illegible]
6		25 years	[illegible]	[illegible]	[illegible]
7	High Coupons	5 years	[illegible]	[illegible]	[illegible]
8		15 years	[illegible]	[illegible]	[illegible]
9		25 years	[illegible]	[illegible]	[illegible]
10	Irredeemables		[illegible]	[illegible]	[illegible]

		Tuesday, Feb. 21 Index No.	Yield %	Monday Feb. 20	Friday Feb. 17	Thurs. Feb. 16	Wed. Feb. 15	[illegible]	[illegible]
15	20-yr. Red. Deb. & Loans (15)	61.27	12.12	61.35	61.25	61.50	61.31	[illegible]	[illegible]
16	Investment Trust Prefs. (15)	57.08	12.83	57.08	57.18	57.08	57.06	[illegible]	[illegible]
17	Coml. and Indl. Prefs. (20)	77.27	11.70	77.22	77.10	77.13	[illegible]	[illegible]	[illegible]

† Redemption yield. Highs and lows record, base dates and values and constituent changes are published in Saturday issues. A new list of the constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London, EC4, price 15p, by post 22p.

INSURANCE, PROPERTY, BONDS

AUTHORISED UNIT TRUSTS

OFFSHORE AND OVERSEAS FUNDS

BASE LENDING RATES

Bank	6½%	■ Hill Samuel	§ 6½%
Irish Banks Ltd.	6½%	C. Hoare & Co.	† 6½%
an Express Bk.	6½%	Julian S. Hodge	7½%
Bank	6½%	Hongkong & Shanghai	6½%
ank Ltd.	6½%	Industrial Bk. of Scot.	6½%
Ansbacher	6½%	Keyser Ullmann	6½%
de Bilbao	6½%	Knowsley & Co. Ltd.	9 %
Credit & Cmce.	6½%	Lloyds Bank	6½%
f Cyprus	6½%	London & European	8½%
f N.S.W.	6½%	London Mercantile	6½%
Belge Ltd.	6½%	Midland Bank	6½%
du Rhone	7 %	■ Samuel Montagu	6½%
s Bank	6½%	■ Morgan Grenfell	6½%
Christie Ltd.	8½%	National Westminster	6½%
Holdings Ltd.	7½%	Norwich General Trust	6½%
ank of Mid. East	6½%	P. S. Refson & Co.	6½%
Shipley	6½%	Rossminster Accept'cs	6½%
Permanent AFI	6½%	Royal Bk. Canada Trust	6½%
C & C Fin. Ltd.	9 %	Schlesinger Limited	6½%
Ltd.	7 %	E. S. Schwab	8½%
Holdings	8 %	Security Trust Co. Ltd.	7½%
house Japhet	6½%	Shenley Trust	9½%
Coates	7½%	Standard Chartered	6½%
dated Credits	6½%	Trade Dev. Bank	6½%
ative Bank *	6½%	Trustee Savings Bank	6½%
ian Securities	6½%	Twentieth Century Bk.	7½%
Lyonnais	6½%	United Bank of Kuwait	6½%
rus Popular Bk.	6½%	Whiteaway Laidlaw	7 %
Lawrie §	6½%	Williams & Glyn's	6½%
rust	6½%	Yorkshire Bank	6½%
Transcont.	8 %		
ondon Secs.	6½%		
at. Fin. Corpn.	8½%		
at. Secs. Ltd.	8 %		
Gibbs	6½%		
und Guaranty	6½%		
ys Bank †	6½%		
ss Mahon	6½%		
s Bank	6½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 3%. 1-month deposits 3½%.
† 7-day deposits on sums of £10,000 and under 3%, up to £25,000 3½% and over £25,000 4½%.
‡ Call deposits over £1,000 3%.
§ Demand deposits 4%.
¶ Rate also applies to Sterling Ind. Secs.

NOTES

Prices do not include $ premium, except where indicated ‡, and are in pence unless otherwise indicated. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b To-day's prices. c Yield based on offer price. d Estimated. g To-day's opening price. h Distribution free of U.K. taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ♥ Net of tax on realised capital gains unless indicated by ϕ. ¶ Guernsey gross. ø Suspended. ♦ Yield before Jersey tax. † Ex-subdivision.

CLIVE INVESTMENTS LIMITED
1 Royal Exchange Ave., London EC3V 3LU. Tel.: 01-283 1101
Index Guide as at 21st February, 1978 (Base 100 at 14.1.77.)
Clive Fixed Interest Capital 134.6
Clive Fixed Interest Income 121.45

CORAL INDEX: Close 450-455

INSURANCE BASE RATES

† Property Growth 7½%
Cannon Assurance 4½%
† Vanbrugh Guaranteed 7.25%
† Address shown under Insurance and Property Bond Table.

FT SHARE INFORMATION SERVICE

**BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1977-78 High	Low	Stock	£	+ or −	Yield Int.	Red.
104½	97½	Treasury 10½pc '78‡	101½	−⅛	10.31	5.79
100½	90½	Exch 5pc 76-78‡	99¼xd	+⅛	5.04	6.31
107	95½	Treasury 11½pc '79‡	104½xd	+⅛	11.03	7.24
97½	84½	Treasury 3pc '79‡	96½xd	+⅛	3.10	5.10
98¼	85½	Electric 4½pc 74-79	97¼xd		4.35	5.75
106½	92	Treasury 10½pc '79‡	103½	+⅛	10.14	8.21
97½	84½	Electric 3½pc 76-79	95½		3.65	6.04
107	87½	Treasury 9pc 1980‡	101½xd	+⅛	8.83	7.98
105½	88½	Treasury 9½pc 80‡	101¼		9.34	8.61
96	82½	Treasury 3½pc 77-80	94½	+⅛	3.72	6.27
99¼	85½	Funding 5½pc 78-80‡	95½	+⅛	5.49	7.34
112½	96½	Exchequer 13pc 1980‡	108½	+⅛	12.03	9.58
108½	92½	Treasury 11½pc 1981‡	104¼		10.98	9.57
94½	77½	Treasury 3½pc 1979-81	90½	−⅛	3.86	7.04
104	86½	Treasury 9½pc 1981‡	100½		9.68	9.48
97	85½	Exch 8½pc 1981	96½	−⅛	8.53	9.43
103½	97½	Exch 9½pc 1981	100		9.50	9.51
92½	87½	Exch 3pc 1981	87¼		3.42	7.02
98½	95½	Treas Variable '81‡	96¾	−⅛	6.69	7.48
113½	96½	Exch 12¾pc 1981‡	108½	+⅛	11.72	9.86
100½	82½	Treas 8½pc 80-82‡	96½		8.77	9.47
92½	71½	Treasury 3pc '82‡	86½	+⅛	3.48	7.06
119½	101½	Treasury 14pc '82‡	113½xd	+⅛	12.35	9.95
96½	95¼	Treas Variable '82‡	96	+⅛	6.74	7.57
98½	92½	Treasury 8¼pc '82	95½	+¼	8.64	9.53
102½	95½	Exch 9¼pc 1982	98½xd	+¼	9.39	9.65
87½	81	Exch 3pc '83	83	+⅛	3.61	7.10

Five to Fifteen Years

1977-78 High	Low	Stock	£	+ or −	Yield Int.	Red.
114½	95½	Treasury 12pc 1983‡	107½xd	+⅛	11.12	9.99
101½	95¼	Treasury 9½pc '83	98½	+⅛	9.51	9.92
92½	72½	Funding 5½pc 82-84‡	86½	+¼	6.42	8.62
100¼	77½	Treasury 8¼pc 84-86‡	93½	+¼	9.15	9.76
87½	56½	Funding 6½pc 85-87‡	84½	+¼	7.86	9.38
93	63½	Treasury 7¾pc 85-88‡	85½	+¼	9.09	10.13
74½	47½	Transport 3pc 78-88	64¾	−⅛	4.66	8.17
75½	53½	Treasury 5pc 86-89	70½	+¼	7.24	9.42
121½	90	Treasury 13pc 1990‡	110½	+⅛	11.91	11.56
94½	67½	Treasury 8¼pc 87-90‡	85½	−⅛	9.83	10.61
112	88½	Treasury 11¾pc 1991	101¾	+⅛	11.71	11.69
76½	55½	Funding 5¾pc 87-91‡	70½	+¼	8.37	10.11
113	85½	Treasury 12¾pc '92‡	107½	+⅛	12.00	11.81

Over Fifteen Years

Undated

**INTERNATIONAL BANK

**CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

AMERICANS—Continued

S.E. List Premium 37% (based on $US1.9448 per £)

Conversion factor 0.7289 (0.7294)

CANADIANS

S.E. List Premium 37% (based on $2.1730 per £)

BANKS AND HIRE PURCHASE

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

BUILDING INDUSTRY—Cont.

CHEMICALS, PLASTICS

CINEMAS, THEATRES AND TV

DRAPERY AND STORES

DRAPERY AND STORES—Cont.

ELECTRICAL AND RADIO

ENGINEERING MACHINE TOOLS

ENGINEERING—Continued

FOOD, GROCERIES, ETC.

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INSURANCE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING ADVERTISING

PROPERTY

INSURANCE

PROPERTY—Continued

SHIPBUILDERS, REPAIRERS

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INV. TRUSTS—Continued

Finance, Land, etc.

FINANCE, LAND—Continued

OILS

OVERSEAS TRADERS

RUBBERS AND SISALS

TEAS

India and Bangladesh

Sri Lanka

Africa

MINES

CENTRAL RAND

EASTERN RAND

FAR WEST RAND

O.F.S.

FINANCE

DIAMOND AND PLATINUM

MINES—Continued

CENTRAL AFRICAN

AUSTRALIAN

TINS

COPPER

MISCELLANEOUS

High	Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's
9½	9	Burma Mines 17½p.	9		—	—	—
115	59	Colby Mines SC1	69	−2	—	—	—
600	225	Cons. Murch. 10c.	240		Q30c	ϕ	‡
475	250	Northgate C$1	250	−2	—	—	—
247	169	R.T.Z.	175		18.5	q3.1	7.4
70	28½	Sabina Inds. C$1	34	−½	—	—	—
£14¾	600	Tara Expln. $1	850	−7	—	—	—
55	39	Tehidy Minerals 10p.	45	......	1.21	2.5	4.1
160	120	Yukon Cons. C$1	120	......	Q7c	ϕ	3.5

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 34 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- A Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- †† Unlisted security.
- ‡ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ** Free of Stamp Duty.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend: cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ‡ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ÷ Regional price
- ‖ No par value

a Tax free b Figures based on prospectus or other official estimate c Cents d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield f Flat yield g Assumed dividend and yield h Assumed dividend and yield after scrip issue. j Payment from capital sources k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. r Australian currency. s Dividend and yield exclude a special payment. t Indicated dividend cover relates to previous dividend, P/E ratio based on latest annual earnings u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield B Preference dividend passed or deferred C Canadian D Cover and P/E ratio exclude profits of U.K. aerospace subsidiaries. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1977-78. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1976-77. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978 N Dividend and yield based on prospectus or other official estimates for 1979. P Dividend and yield based on prospectus or other official estimates for 1977. Q Gross. T Figures assumed. U No significant Corporation Tax payable Z Dividend total to date ‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock.

Abbreviations: xd ex dividend, xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

"Recent Issues" and "Rights" Page 36

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £400 per annum for each security

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Stock	Price	+ or −
Albany Inv. 20p	23	
Ash Spinning	42	
Bertam	16	
Bdg'wtr Est. 50p	280	
Clover Croft	22	
Craig & Rose £1	400	
Dyson (R.A.)	40	
Ellis & McHdy	68	
Evans Fr'k. 10p	58	
Evered	16½	−½
Fife Forge	47	
Finlay Pkg. 5p	20	
Graig Ship £1	212	
Higsons Brew	63	
I.O.M. Stm. £1	150	
Holt (Jos.) 25p	245	
Nthn. Goldsmith	62	
Pearce (C. H.)	132	
Peel Mills	17	
Sheffield Brick	47	
Sheff. Refrshmt.	51	
Shiloh Spinn.	19	
Sindall (Wm.)	85	

IRISH

Stock	Price	+ or −
Conv. 9% '80/82	£96xd	+¼
Alliance Gas	80	
Arnott	285	
Carroll (P.J.)	100	
Clondalkin	82	
Concrete Prods.	130	
Heiton (Hldgs.)	49xd	
Ins. Corp.	155	
Irish Ropes	130	
Jacob	50	
Sunbeam	33	+1
T.M.G.	190	
Unidare	75	

OPTIONS

3-month Call Rates

Industrials

A. Brew	6½	I.C.I.	23	Tube Invest.	30
A.P. Cement	16	"Imps"	7	Unilever	40
B.S.R.	9	I.C.L.	20	Utd. Drapery	7½
		Inveresk	7	Vickers	15

A selection of Options traded is given on the London Stock Exchange Report page

FINANCIAL TIMES

Wednesday February 22 1978

British steel users attack Davignon plan

BY DAVID BUCHAN IN BRUSSELS AND JOHN LLOYD IN LON DON

STEEL USERS in Britain have protested to the European Commission over the effects of the scheme to safeguard community steel industries—the so-called Davignon Plan.

Their protest came as the Commission said the plan was to be modified to allow steel consumers throughout the EEC some leeway on contracts fixed before January 1, when guideline prices were raised by 5 per cent.

British steel users feel that the British Steel Corporation has gone much further than required by the EEC in imposing restrictive terms on stockholders, which are then passed on in higher prices to the users.

The British version of the Davignon Plan, initiated by the corporation, asks stockholders to sell their steel on the basis of BSC list prices, plus a margin. It also proposes that they buy 95 per cent. of their requirements from EEC producers.

The British Steel Consumers' Council, which represents both large and small users, has written to Viscount Davignon, the EEC Industry Commissioner, claiming that this agreement contravenes Article 65 of the Treaty of Paris.

The council is also concerned that the BSC proposal covers all types of steel, whereas the Davignon Plan only specifies reinforcing bars, merchant bars and hot-rolled steel.

While a number of stockholders, particularly those specialising in stainless steels, have reservations about the BSC plan, they appear to be coming slowly into line.

A speech last week by Sir Charles Villiers, the BSC chairman, guaranteeing to supply stockholders even if BSC had to import steel, has done much to quieten their fears.

Steel users, however, are claiming that the prices they are paying have soared. For example, Flexiform, a Leeds-based company, claims that it will have to pay up to £20 a tonne more for its steel from its stockholder, Lye Steel (a BSC subsidiary), when the BSC proposals are fully implemented.

The Commission has told EEC steel users that they can buy steel at the old prices on pre-January 1 contracts. But if they are able to pass on extra costs to their customers, they have a "moral obligation" to buy from the steel producers at the higher prices.

● Figures published by the International Iron and Steel Institute in Brussels yesterday showed that crude steel production in the EEC fell by 1.8 per cent. last month compared to January, 1977, while world production rose by 2 per cent. over the same period.

The biggest decrease was in the U.K., where steel production fell by 26 per cent. In the Netherlands it fell 17 per cent. and France by 2.1 per cent.

But EEC officials point to higher output in five other members States as evidence that the Davignon Plan is having some effect.

World Trade News, Page 5

EMI files new claim over scanner patent

BY DAVID FISHLOCK, SCIENCE EDITOR

EMI'S LEGAL battles to defend its claims as the inventor of the EMI-Scanner, the first commercial version of a powerful new medical X-ray technique, entered a new phase yesterday when a second patent infringement suit was filed against one of its U.S. competitors.

The suit, filed in Cleveland, Ohio, alleged that six more of its patents—in addition to nine cited in 1976—had been infringed by Ohio-Nuclear.

Ohio-Nuclear, a subsidiary of Technicare Corporation, was one of its first two competitors in the new medical technology, launched six years ago.

EMI filed against the second of its initial competitors, Pfizer Medical Systems, last summer, but the action has been suspended pending the outcome of discussions between EMI and Pfizer.

But Dr. John Powell, EMI's chief executive, stressed yesterday the company's intention of fighting for royalties on what it believes to be a strong claim.

"We're determined to obtain recognition for our patents from the industry," he said.

Although a total of nearly 100 patents—including the key patents for the application of a mini-computer to X-ray diagnostics—has now been granted to EMI, no licence for use of its technology has yet been granted by the company.

The company has more than 385 patent applications pending in seven countries, among them the U.K., the U.S., France, Germany and Japan.

Its first patent applications on the new technology were filed in Germany and Japan in 1969, but neither country has yet granted a patent.

It was "an impossible situation" according to Dr. Powell.

Patents were granted rather more quickly in North America, but the conduct of litigation against infringement was so slow that it gave defendants plenty of scope to delay the payment of royalties, he said.

EMI also faces the problem that some of the later entries into the market for computerised axial tomography (CAT) scanning are much bigger companies, among them U.S. General Electric, and Siemens and Philips in Europe.

More than 700 EMI-Scanners of various types have been installed so far, in about 30 different countries.

The company still claims to be market leader, with over 50 per cent. of the world market.

But competition has grown steadily and it now meets strong competition from the U.S., Japan and West Europe, all apparently undeterred by the wide scope of the patents EMI has applied for.

THE LEX COLUMN

Bitter blow for Guest Keen

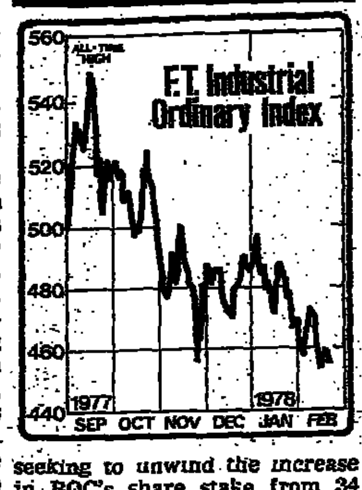
Yesterday's German Court ruling against the bid for Sachs came as a bitter blow to GKN. The group now has a month in which to decide whether to appeal to the Federal Economics Ministry. As things stand, a fundamental part of its strategy in recent years has been placed in jeopardy.

Control of Sachs would have brought a decisive switch in GKN's centre of gravity towards West Germany — where the vehicle market is more than twice as big as in the U.K. Taken with its existing Uni-Cardan interests, the trading surplus from GKN's German companies might have totalled, say, £50m., or well over half its surplus on automotive products. Moreover the purchase price which was agreed just over two years ago now looks extremely attractive. GKN was to pay DM330m. for 75 per cent. of a business with disclosed after tax profits of under DM33m. in 1974. By 1976 earnings were up to over DM50m., a figure which might well have been a good bit higher under U.K. accounting practices, and Sachs has subsequently disclosed that its sales volume rose by about 15 per cent. in the first eight months of last year.

There is no doubt that GKN and the stock market were expecting a different verdict, and the shares will be vulnerable this morning. They have been firm in the weeks leading up to the Court ruling, and on some estimates full consolidation of Sachs would have added over a tenth to earnings per share. For the moment, Sachs remains no more than an associate (GKN bought a near 25 holding in 1976).

However it would be wrong to overdo the gloom. The shares were very weak through the latter half of 1977 and are already discounting a profits decline from £98m. to £70m. or a bit more for the year, before tax and after special depreciation. Some analysts are now projecting a full recovery in 1978, and there are signs that GKN is making a big effort to improve the returns on some of its general engineering activities. Meanwhile the yield is 8½ per cent.

Index fell 3.4 to 454.6



BOC Intl.

Next week a top executive team of BOC International will be heading for the U.S. to prepare for the latest legal battle over Airco. The most important of four actions pending is Airco's own suit against BOC, seeking to unwind the increase in BOC's share stake from 34 to 49 per cent. and to allow shareholders to accept a higher offer if one can be found. The case may come to court next month. But the annual report from BOC has nothing to say directly on the latest Airco dispute, although the second annual statement of the non-executive directors pointedly remarks that the uncertainty over the relationship with Airco is preventing the group from determining an efficient multinational structure.

The report does, however, make it clear that the year will be difficult in other ways too. The indication that BOC will not maintain recent earnings growth (which has averaged some 27 per cent. at the per share level during the last five years) leaves open the question of whether there will be any growth at all this time after a bad start. Much will presumably depend on what proportion of Airco BOC will be in a position to consolidate. Meanwhile the market seems to be expecting around £13½m. pre-tax from to-day's first quarter figures (after maybe £3m. of U.K. strike costs) against £16.6m.

Local authorities

Yesterday saw the issue of another small batch of local authority variable rate bonds. But whereas the Town Hall borrowers continue to come to the negotiable bond market for relatively small amounts of floating rate money once a week, they appear to have stopped tapping the floating rate corporation stock market.

During the final quarter of 1977 local authorities were coming to this market roughly twice a month to raise sums of between £12m. and £25m. However, it now seems that while they still want floating rate finance, most authorities are finding it cheaper and quicker to deal direct with the banks and by-pass the Stock Exchange. So far just over £120m. of floating rate stock issues have been raised by local authorities but it is reckoned that close to double that amount (upwards of £200m.) has been raised in the form of syndicated bank loans over the last year.

The growing popularity of this sort of finance for local authorities is not difficult to explain. Spreads on bank loans are currently under 1 per cent over interbank rates and whereas stock issues have only been done for five year periods the banks are prepared to go out to close to ten years at the moment. In addition, the costs of the exercise are normally cheaper than conventional stock issues and most important there is much greater flexibility. There is no need to join the normal Bank of England queue and instead of receiving all the money in one lump sum, an authority can choose the draw-down period and the rollover period. With a 1¼ point gap between one and six month money the importance of this should not be underestimated.

British Land

Although British Land attributable revenue deficit widened to £2.1m. in the six months to September, against £1.3m. in the whole of 1976-77, the group should now be on an improving trend. The second half takes in the bulk of annual earnings of Dorothy Perkins which has recovered from poor summer trading, and there will also be a dealing profit on the stake in Bridgewater Estates. Recent property disposals moreover, will generate tax credits.

In combination, these favourable factors will more than offset the initial impact of the refinancing package approved in October, which increased interest outgoings. The balance sheet will look a lot better, too, with March 31 debt likely to be down to around £140m. compared with £208m. two years ago. But the improving trend in the property market, which allows British Land to hope that it could pass the break-even point some time during 1978-79, has already been reflected in the share price which eased 1p to 33½p on the half-time statement. The market capitalisation is £21m.

Mid-East peace shuttle starts

BY DAVID LENNON — TEL AVIV, Feb. 21.

THE LATEST U.S. Middle East peace shuttle got under way today when Mr. Alfred Atherton, Assistant Secretary of State, held two meetings with Israeli leaders. But there was no indication that any progress had been made.

Mr. Atherton's renewed peace efforts came in the wake of a fierce row between Israel and the U.S. over Israel's settlement policy and the American decision to sell warplanes to Egypt and Saudi Arabia.

The apparent lack of progress to-day probably emphasises the tough talking which lies ahead.

Because of this, Mr. Menachem Begin, Israeli Prime Minister, invited his inner Cabinet of deputy Premier and the Ministers of Foreign Affairs and Defence to take part in this evening's meeting.

Mr. Begin appears concerned to demonstrate to Mr. Atherton that his Cabinet is united in its position, and to dispel the impression that there are sharp differences within the Government over its policy in the peace negotiations.

The talks between Mr. Atherton and the Israeli leaders concentrated on reviewing the Israeli position on the troublesome Palestinian clause in the joint declaration of principles. Mr Atherton is seeking a formula acceptable to both Egypt and Israel.

Mr. Atherton's talks this morning with Mr. Moshe Dayan, Israeli Foreign Minister, lasted two hours, as did his meeting this evening with Mr. Begin.

Mr Atherton described the meeting as "friendly and frank." He said there has been no change in the Israeli position since his earlier shuttle and that he expected the present phase of negotiations "to go on for some time." No new American ideas were presented at this evening's meeting.

Earlier to-day, Mr. Begin notified President Carter that Mr. Dayan and Mr. Ezer Weizman, Israeli Defence Minister, would be accompanying him on his visit to Washington next month.

He explained that he wanted them along, as they were members of the Israeli teams which negotiated with the Egyptians.

At a party meeting this evening, Mr. Yigael Yadin, Israeli Deputy Premier, said that the continuation of the Israeli settlement programme in the occupied territories harms Israel at this stage of negotiations.

Some party members said they would consider quitting the coalition if the Government decided to press ahead with its settlement programme.

Assad in Moscow, Page 5

Thatcher raps pay, price curbs

By Christian Tyler, Labour Editor

MRS. MARGARET THATCHER, leader of the Opposition, last night attacked the Government's direct control of pay and prices, and attempts to manage companies' investment through industrial strategy.

In a speech seen by Conservatives as a major statement of her economic philosophy, she declared that the next Conservative Government would restore company profitability and cut personal taxation.

Comparing Britain's productivity record with that of West Germany and Japan, she said it was "quite futile" to attempt to preserve jobs by making them uncompetitive.

"The only jobs preserved by British overmanning are German jobs or American jobs or Japanese jobs."

Mrs. Thatcher was returning to Conservative economic tenets after her recent speeches on industrial relations, collective bargaining and immigration.

Speaking at an Engineering Employers Federation dinner in London, she said that profits appeared high on paper, but after inflation were too low for expansion and investment.

The Price Commission was taking millions of pounds out of profits and "competition, not the Commission, is the best watchdog on prices."

Calling for changes in labour legislation, including the Employment Protection Act, she argued that rigid pay controls were hindering labour mobility.

"The only way to determine pay is through responsible, realistic collective bargaining, according to the circumstances and prospects of the company concerned and within the overall constraints of the money supply."

On investment, Mrs. Thatcher said that the industrial strategy had educational value but was not the recipe for better investment. Its fallacy was the belief that decisions were taken at the sector level.

Cadbury Schweppes U.S. expansion bid

BY STEWART FLEMING — NEW YORK, Feb. 21.

CADBURY SCHWEPPES, the British chocolate and soft drinks concern, is planning a major expansion of its U.S. operations through the acquisition of Peter Paul, the U.S. confectionery and "candy" manufacturer.

The two companies to-day announced an agreement on a proposal to merge their operations, with Cadbury Schweppes offering $27.50 in cash, or a total of about $58m. for the U.S. company.

Peter Paul is listed on the New York Stock Exchange and it is intended to put the merger proposal to its 13,000 shareholders.

The company's products include milk chocolate mounds, caramelle and York peppermint patties. It had sales in its 1977 financial year of $100m. and net profits of $4.6m ($2.19 a share). Of this, however, $1.3m., or 63 cents a share, was an extraordinary tax credit.

The company, which has about 1,100 employees, has plants in Connecticut, California, Illinois and Pennsylvania, and distributes its products nationally.

Over the past three years earnings have been stagnant around the $3.3m. mark, although some analysts are expecting 1978 to be a good one for the company, reflecting its aggressive marketing campaign as well as some decline in the price of cocoa.

Cadbury Schweppes already has a base in the U.S. Its chocolate products are sold in stores in the North-East.

In a separate development, the leading British toy maker, Dunbee-Combex-Marx, announced that it had completed the acquisition of Aurora Products, a toy and hobby manufacturing subsidiary of Nabisco, the big U.S. foods producer.

It was announced last autumn that negotiations were under way. Aurora had sales in 1977 of $45m. and incurred a loss of $2m. The company has manufacturing facilities in California, New Jersey and Long Island. Among its best known products are toy racing cars.

No indication was given in the announcement of the price being paid to Nabisco for the assets.

Margaret Reid writes: In 1976, the last year for which accounts are available, Cadbury Schweppes sold £71m.—9 per cent. of its total turnover of £787m.—in North America.

In his annual statement last March Sir Adrian Cadbury, the chairman, said that there, as in Europe, the main marketing objective was better use of assets, such as the Schweppes name.

"Cadbury confectionery and Schweppes drinks have strong brand positions in important product and territorial sectors of their respective markets." Investment would be required, particularly in marketing.

Shortage of engineers blamed on schools

BY CHRISTOPHER DUNN

INDUSTRY is being hit by a "chronic" shortage of engineers, Mr. Roger Kingdon, chairman of Newell Dunford Engineering and vice-chairman of the Process Plant Association, told a London conference yesterday.

Even with the present low levels of activity, certain types of engineer were very difficult to obtain. In London alone, more than 1,000 draughtsmen were needed to meet engineering contractors' present commitments, a recent survey had shown.

Not enough skilled people were being produced. Industry, particularly manufacturers of process plant for the chemical, oil, steel and similar sectors, had a limited appeal for school leavers.

He blamed the lack of communication between industry, schools and universities and added that he did not believe education had industry in mind when teaching young people.

A similar warning was issued to the conference, organised by the Process Plant Association, by Sir Ieuan Maddock, secretary of the British Association for the Advancement of Science.

The shortage of technician engineers was critical, he said. Industry lacked the kind of man who had learnt his trade, then topped up with retraining throughout his career. Retraining was almost a dirty word in the U.K.

Professor Donald Freshwater, head of chemical engineering at Loughborough University of Technology, accused the U.K. process plant industry of backwardness. It could not cope in its present shape with highly qualified graduates emerging from the universities.

Call for check on bacon imports

BY CHRISTOPHER PARKES

THE BACON industry is condemned as "poorly organised and inefficient" in a report from the Price Commission yesterday. Curers and distributors are warned that they must change their ways if they are not to lose even more of their market to the Danes. Denmark has 42 per cent. of the £700m.-a-year U.K. bacon market.

While the Commission finds that bacon profits are not excessive, it recommends that the Department of Prices and Consumer Protection maintain a running check on margins on Danish imports.

Vacuum-packed bacon appears "appreciably more profitable" than loose rashers. Cost of vacuum-packing is put at 7p per pound, but the retail price is about 20p per pound higher than loose bacon.

"For U.K. bacon to improve or even to hold its market share, changes will be necessary in the structure and marketing policies of both U.K. producers and distributors," the report says.

"These changes should include the extension of quality definition and control to a larger proportion of the product in order to equal or surpass the Danish example.

"These changes will be difficult to achieve unless the industry becomes more ambitious and more competitive."

British manufacturers have about 45 per cent. of the market, slightly more than Denmark, but the Danes have a controlling influence in that they set the price pattern for bacon at a weekly meeting in London and have mounted a campaign to increase their market share in the next few years.

Prices, Costs and Margins in the Importation and Distribution of Bacon SO 70p.

Tea talks

● Elinor Goodman writes: Tea company representatives are to meet officials of the Department of Prices in the next 48 hours to thrash out the Price Commission's recommendation that prices should be reduced immediately.

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Beaverbrook plan

desert the Standard and give their support exclusively to the News.

Mr. Wintour opened with a salvo against the News' declining fortunes.

"Between Fleet Street and the River Thames lies the most distressed area in the newspaper industry. It is called the Evening News—a newspaper which is losing money on a colossal scale," he said.

He suggested that losses could amount to £6m. a year, and said that the circulation of the News had fallen from a peak of 1.5m. a day some years ago.

The last published figure for July to December was 551,000, compared with the Standard's 398,000.

After trying to hire Evening Standard staff to make the News look like its rival, Mr Wintour said, the News was making "a final desperate effort to savage the Evening Standard by getting a larger share of the evening newspaper advertising market through rate-cutting on a mammoth scale.

"Evidence has now been received by the Evening Standard that the activities of the Evening News in this respect go far beyond acceptable commercial competition. For the Evening News is in effect offering such large discounts to advertisers if they advertise in the Evening News, rather than in the pages of this newspaper, that outside observers may consider it tantamount to bribery."

In some cases, he says, important advertisers have been offered rates of less than a third of the published rate.

Mr. David Peck, joint executive director of the Evening News, admitted that cut rates were offered, but said this was the practice of the Evening Standard also.

He said: "Mr Wintour has made a hysterical outburst, which in my opinion must be a scream of pain."

The News was prepared to negotiate lower rates for advertisers who placed a large volume of business with it, but this was normal commercial practice.

London buses blow to Leyland

BY IAN HARGREAVES, TRANSPORT CORRESPONDENT

BRITISH LEYLAND suffered a major blow in another of its traditional markets yesterday with the news that London Transport is to place a large slice of its latest double-deck bus order with Metro-Cammell Weyman, the Midlands-based Laird group subsidiary.

The order is for 350 vehicles, 150 of them the Metro-Cammell Weyman Metrobus, and 200 of them the Leyland Titan.

Together with orders earlier this year for 50 of each vehicle it is worth £17m. and forms much the biggest single deal available to the double-deck manufacturers, whose total annual home sales total about 2,000.

Confirmation of the order by London Transport was immediately hailed by the Midlands-based company as demonstrating that it had effectively wrested 50 per cent. of the future double-deck market from Leyland.

The order had set the pattern for future double-deck purchases within Britain, Mr Tony Sansome, managing director of Metro-Cammell Weyman, said. "That pattern now looks like 50-50 with room for competition at the margins."

Leyland has traditionally held between 80 and 90 per cent. of the double-deck bus market. London Transport's decision to split the latest order follows almost two years' of its road tests of the Leyland Titan.

The Metro' us, by contrast, has been brought through its entire development stages on a shoestring budget of £1m. during the same two years.

Weather

RAIN in far S W spreading to S half of England and Wales. Other areas cloudy with occasional rain. Hill fog.

London, E. Anglia, Midlands, Wales, S.E., Cent. S. England

Dry at first: some fog. Rain, heavy at times with hill fog, spreading from S.W. Max: 6C (43F).

E., N.E., Cent. N. England, Lakes, Borders, S.W. Scotland, Glasgow, Argyll

Cloudy, occasional rain; some snow and fog on higher ground. Max 3C (37F).

Channel Is., S.W. England

Cloudy; periods of rain, heavy at times. Hill fog. Perhaps gales in places. Max 9C (48F).

N.W. England, I. of Man, N. Ireland

Cloudy, occasional rain; hill fog. Max: 5C (41F).

Outlook: Rain in S., sleet or snow in N.

BUSINESS CENTRES

		Y'day mid-day °C	°F			Y'day mid-day °C	°F
Amsdm.	C	0	32	Manchstr.	C	1	34
Athens	C	10	50	Melbourne	R	13	55
Bahrain	C	20	68	Mexico C.	C	16	61
Barcelona	F	14	57	Milan	C	3	37
Belfast	C	3	37	Montreal	S	−11	12
Belgrade	S	−5	23	Moscow	Sn	−9	16
Berlin	S	−2	28	Munich	S	−4	25
Brmghm	C	0	32	Newcastle	F	1	34
Bristol	Fg	1	34	New Delhi	S	20	68
Brussels	C	1	34	New York	S	−1	30
Budapest	S	−4	25	Oslo	C	−7	19
B. Aires	S	24	75	Paris	Fg	3	37
Cairo	S	22	72	Perth	S	28	82
Cardiff	Fg	0	32	Prague	S	−2	28
Chicago	S	−6	21	Reykjavik	C	3	38
Cologne	F	0	32	Rio de J'o	S	33	91
Copnhagn.	F	2	36	Rome	S	15	59
Dublin	Fg	4	39	Singapore	S	30	86
Edinburgh	C	0	32	Stockholm	S	−4	25
Frankfurt	C	−1	30	Strasbrg.	C	0	32
Geneva	C	3	37	Sydney	R	25	77
Glasgow	Sn	1	34	Tehran	S	13	55
Helsinki	S	−6	21	Tel Aviv	S	18	64
H Kong	C	19	66	Tokyo	C	8	46
Jo'burg	C	25	77	Toronto	S	[illegible]	16
Lisbon	F	15	59	Vienna	S	−6	21
London	C	3	37	Warsaw	Sn	−2	28
Luxembg	R	−3	27	Zurich	C	−1	30
Madrid	F	14	57				

HOLIDAY RESORTS

Ajaccio	C	14	57	Las Plms	S	20	68
Algiers	S	21	70	Locarno	C	3	37
Biarritz	C	12	54	Majorca	F	15	59
Blackpool	C	0	32	Malaga	S	19	66
Bordeaux	R	11	52	Malta	S	18	64
Boulogne	C	4	39	Nairobi	C	20	68
Casablnca.	S	19	66	Naples	S	14	57
Cape Town	C	21	70	Nice	C	12	54
Corfu	S	15	59	Nicosia	C	19	66
Dubrovnik	S	11	52	Oporto	S	13	55
Faro	S	18	64	Rhodes	S	16	61
Funchal	S	16	61	Salzburg	F	1	34
Gibraltar	F	16	61	Tangier	S	18	64
Guernsey	Fg	8	46	Tenerife	S	16	61
Innsbruck	F	2	36	Tunis	S	20	68
Inverness	Sn	0	32	Valencia	S	17	63
Isle of Man	C	2	36	Venice	S	5	41
Jersey	C	8	46				

S—Sunny F—Fair H—Haze Fg—Fog R—Rain. Sn—Snow.

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